2000

INMET
MINING

ANNUAL REPORT

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Jo-Anne Sayers
Vice-President, Finance and Chief Financial Officer

Jochen E. Tilk
Vice-President, Operations

Richard A. Ross
President and Chief Executive Officer

Oliver R. E. Merton
Vice-President, Commercial

OUR MANAGEMENT TEAM

is committed to improving shareholder value. Our objectives for 2001 are focused on providing superior returns from future growth opportunities and on maximizing the value of our existing asset base.

Tim Catherwood
Director, Human Resources

Wendy Kaufman
Controller

Ian D. Pirie
Director, Corporate Development

R. Craig Ford
Director, Safety, Health and Environment

Frank Balint
Vice-President, Corporate Development

OPERATING AND FINANCIAL HIGHLIGHTS

Operating Highlights

	2000	1999	1998
COPPER			
Production (tonnes)[1]	**59,700**	58,800	46,000
Cash cost (U.S.$ per pound)	**$0.43**	$0.40	$0.46
Total cost (U.S.$ per pound)	**$0.48**	$0.44	$0.50
ZINC			
Production (tonnes)[1]	**12,700**	16,000	25,700
GOLD			
Production (ounces)[1]	**218,600**	246,800	234,500
Cash cost (U.S.$ per ounce)	**$263**	$231	$245
Total cost (U.S.$ per ounce)	**$279**	$241	$251

[1] Inmet's share.

Financial Highlights

:: *(thousands)*	2000	1999	1998
FINANCIAL RESULTS			
Sales	**$106,548**	$116,602	$105,591
Earnings (loss) from continuing operations	**$9,765**	$39,452	$(16,361)
Net income	**$9,765**	$39,452	$31,038
Net income per share[2]	**$0.17**	$0.90	$0.25
Cash flow provided by operating activities	**$14,509**	$3,061	$5,485
Operating cash flow per share[2]	**$0.38**	$0.08	$0.07
FINANCIAL POSITION (DECEMBER 31)			
Cash and short-term investments	**$77,259**	$93,458	$173,135
Net working capital	**$94,531**	$111,952	$137,432
Long-term debt	**$21,700**	$26,768	$36,465
Reclamation and other long-term liabilities	**$61,063**	$64,569	$84,857
Shareholders' equity	**$198,929**	$193,513	$256,252
Common shares outstanding	**36,402**	38,337	38,337

[2] Calculated using weighted average shares outstanding for the year.

COMPANY PROFILE

Inmet Mining Corporation is a Canadian based international mining company. Inmet's mining operations produce copper, zinc and gold, and Inmet's growth strategy is focused on finding quality base metal reserves. Our operating base consists of three competitive mining operations: Çayeli, Troilus and Ok Tedi.

AT A GLANCE

Operating Mine		Operating Results		Financial Results – Inmet's Share	
Çayeli (49% Interest)		(100%)	2000	(49%)	2000
Metal:	Copper/zinc	Tonnes of ore milled (000's):	**861**	Net earnings (millions):	**$12.6**
Location:	Turkey			Cash provided by operating activities (millions):	**$20.5**
Mine life:	15 years	Metal production:		U.S.$ metal prices:	
		Copper (tonnes)	**37,400**	Copper per pound	**$0.83**
Mine type:	Underground	Zinc (tonnes)	**26,000**	Zinc per pound	**$0.50**
				U.S.$ cash cost (per pound/copper):	**$0.43**
				U.S.$ total cost (per pound/copper):	**$0.48**
Troilus (100% Interest)		(100%)	2000	(100%)	2000
Metal:	Gold/copper	Tonnes of ore milled (000's):	**5,135**	Net earnings (millions):	**$6.8**
Location:	Canada			Cash provided by operating activities (millions):	**$15.3**
Mine life:	6 years	Metal production:		U.S.$ metal prices:	
		Gold (ounces)	**122,500**	Gold per ounce	**$313**
Mine type:	Open pit	Copper (tonnes)	**4,800**	Copper per pound	**$0.82**
				U.S.$ cash cost (per ounce/gold):	**$263**
				U.S.$ total cost (per ounce/gold):	**$279**
Ok Tedi (18% Interest)		(100%)	2000	(18%)	2000
Metal:	Copper/gold	Tonnes of ore milled (000's):	**29,300**	Operating loss (millions):	**$(0.2)**
Location:	Papua New Guinea	Metal production:		U.S.$ metal prices:	
Mine life:	10 years	Copper (tonnes)	**203,100**	Copper per pound	**$0.80**
Mine type:	Open pit	Gold (ounces)	**534,000**	Gold per ounce	**$287**
				U.S.$ cash cost (per pound/copper):	**$0.48**
				U.S.$ total cost (per pound/copper):	**$0.67**

2000 Year Highlights

Inmet made substantial progress on the operating and growth objectives we set for ourselves at the beginning of 2000.

- At Çayeli, we successfully reached our target of expanding mill throughput to one million tonnes per year. We have also increased proven and probable reserves over 35 per cent to 14.6 million tonnes.

- At Troilus, in spite of lower gold grades, a high strip ratio and continuing low gold prices, we generated a net profit of $7 million, which reflects the positive impact of the successful mill expansion and hedging. We have further refined our plan for Troilus going forward, which will result in an increase in gold grades, lower strip ratios and the potential for substantial profits, even at existing gold prices.

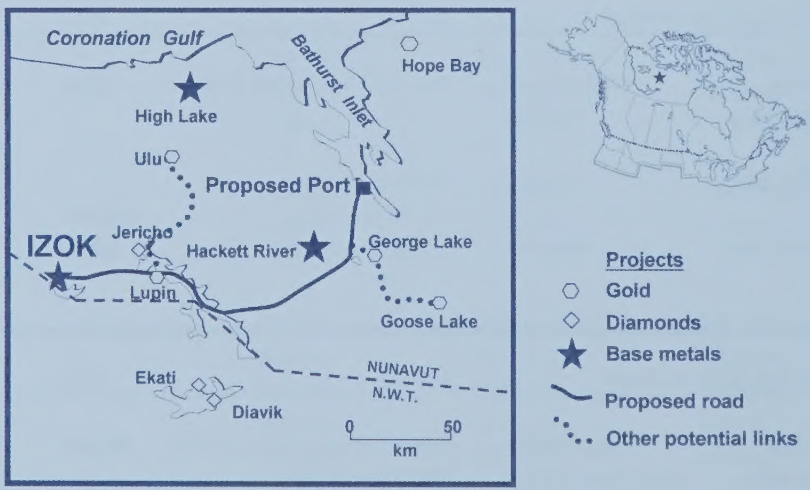
- At Ok Tedi, the major investment initiated in 2000 to upgrade the mining fleet for the balance of the mine's 10 year life is substantially complete. In addition, discussions are progressing regarding the future operating plans and shareholding structure for the mine.

- The efforts made during 2000 in effectively managing the costs and risks associated with our reclamation liabilities will result in a substantial reduction in annual reclamation spending, which is estimated to be approximately $5 million in 2001.

- The year was also a success financially, with earnings of $10 million or $0.17 per share, and cash flow from operations of $15 million or $0.38 per share. Under a normal course issuer bid, we bought back 1.9 million shares at an average cost of $2.04 per share, which we believe is an excellent way to enhance shareholder value.

- In 2000, we entered into an exploration joint venture with Boliden Limited on its extensive land position in Sweden. These properties will provide many prospective exploration targets in 2001 and beyond. In 2001, we will focus our activities on our most promising exploration prospects, which will substantially reduce our targeted exploration spending compared to 2000 levels.

- Advances were also made at Izok, our wholly owned zinc and copper project located in Nunavut. The government of Nunavut has completed a transportation study, which identified the need for an all-weather road from Bathurst Inlet to Izok (see diagram below). A feasibility study on the road and port is planned to commence in 2001, which, if positive, could set in motion the future development of Izok.



Proposed all weather road from Izok to Bathurst Inlet

Safety, Health and Environment

We are committed to managing all our activities in an environmentally responsible manner and have the highest regard for the health and safety of our employees.

In 2000, Çayeli established a new record of 442 days without a lost time accident ("LTA"), reflecting Inmet's commitment to the highest safety standards. The Troilus mine in Quebec was awarded the F.J. O'Connell safety award in recognition of its significant improvement in accident prevention during the 1999 calendar year. Overall, Inmet achieved a LTA rate of 0.5 per 200,000 man-hours, equivalent to one injury per 200 man-years of work, which compares favourably to the majority of Canadian mining companies.

We revised our Safety, Health and Environment ("SH&E") policy in 2000 in an effort to better communicate our core values. This policy sets out Inmet's and our employees' responsibilities to ensure appropriate standards in SH&E are maintained. The revised policy is presented on page 14 of this report.

Çayeli (49 per cent owned)

Operating Information (100 per cent)		1999	2000	Objective 2001
Tonnes of ore milled (thousands)[1]		897	**861**	–[1]
Tonnes of ore milled per day		2,450	**2,640**	2,740
Grades (per cent)	Copper	5.1	**4.9**	4.6
	Zinc	5.3	**4.5**	4.6
Mill recoveries (per cent)	Copper	88	**89**	87
	Zinc	68	**68**	68
Metal production (tonnes)	Copper	40,100	**37,400**	–[1]
	Zinc	32,600	**26,000**	–[1]
Cash cost per pound of copper		U.S.$0.40	**U.S.$0.43**	U.S.$0.47
Total cost per pound of copper		U.S.$0.44	**U.S.$0.48**	U.S.$0.51
Capital expenditures (thousands)		U.S.$5,000	**U.S.$4,900**	U.S.$12,000

[1] Total ore milled and metal production in 2001 will be impacted by the strike.

Çayeli continued its track record of profitable operations producing 37,400 tonnes of copper and 26,000 tonnes of zinc at cash costs of U.S.$0.43 per pound of copper and total costs of U.S.$0.48 per pound. The operation contributed $13 million to Inmet's net earnings and $21 million in operating cash flow. Çayeli substantially increased reserves in 2000 and has the potential for further increases in both reserves and production. Çayeli continues to be one of the lowest cost underground base metal producers in the world.

In August of 2000, Çayeli commissioned its new concentrate filter press and subsequently increased mill throughput to a consistent rate of one million tonnes per year. Çayeli processed a total of 861,000 tonnes of ore in 2000, which was slightly lower than the record production levels of 897,000 tonnes in 1999. This was achieved in spite of two disruptions to operations during the year. A gearbox failure in the mill on January 6, 2000 reduced mill throughput by 50 per cent for 29 days. On December 7, 2000, Çayeli's 269 unionized workers went on strike after management declined the union's demand for significant wage increases in connection with a new collective agreement.

Cash costs were U.S.$0.43 per pound of copper compared to U.S.$0.40 per pound in 1999. This increase is a result of the reduction in zinc by-product credits due to

lower zinc grades mined in 2000. Copper and zinc grades fluctuate from year to year at Çayeli, due to the uneven distribution of zinc and copper mineralization in the ore body. It is expected that copper grades will decline moderately and zinc grades will remain essentially unchanged in 2001.

Inmet's share of capital expenditures in 2000 was $4 million. A large part of these expenditures related to the mill expansion. In addition, Çayeli commenced engineering of a new tailings pipeline, to be installed in 2001. The new tailings pipeline will ensure a reliable discharge system, provide for additional capacity in the event of future production increases, and allow the paste backfill plant to operate at its full capacity. Total costs are expected to be U.S.$4 million.

Exploration of Çayeli's deep ore resources continues to deliver excellent results. As announced on April 20, 2000, one of the deep drill holes intersected 40 metres of core length with grades of 5.7 per cent copper and 8.0 per cent zinc at approximately 100 metres beyond any previous intersection in the deep zone resource. In 2001, Çayeli will commence the evaluation of the shaft-deepening project as a first step in the development of the deep ore zone. Through definition drilling, Çayeli's proven and probable reserves increased from 11.6 million tonnes to 14.6 million tonnes at December 31, 2000, as resources were converted to reserves.

Troilus (100 per cent owned)

Operating Information (100 per cent)			1999	2000	Objective 2001
Tonnes of ore milled (thousands)			4,850	**5,135**	5,400
Tonnes of ore milled per day			13,300	**14,100**	14,800
Strip ratio			3.1	**3.1**	1.8
Grades	Gold	(grams/tonne)	1.3	**0.9**	1.1
	Copper	(per cent)	0.1	**0.1**	0.1
Mill recoveries	Gold	(per cent)	86	**83**	84
	Copper	(per cent)	90	**90**	90
Metal production	Gold	(ounces)	168,400	**122,500**	160,000
	Copper	(tonnes)	5,400	**4,800**	5,800
Cash cost per ounce of gold			U.S.$231	**U.S.$263**	U.S.$219
Total cost per ounce of gold			U.S.$241	**U.S.$279**	U.S.$236
Capital expenditures (thousands)[1]			$10,400	**$15,000**	$3,000

[1] Includes capitalized stripping.

In 2000, Troilus produced 122,500 ounces of gold at a cash operating cost of U.S.$263 per ounce and total costs of U.S.$279 per ounce. After taking into consideration the positive effect of Inmet's hedge program, Troilus realized an average gold price of U.S.$313 per ounce, compared to the average spot price of U.S.$280 per ounce in 2000, and generated $7 million in net earnings and $15 million in operating cash flow. Higher grades and a much improved strip ratio for the balance of the mine life will allow Troilus to operate profitably even at times of low metal prices.

During 2000, the waste to ore ratio remained high and ore grades were lower than the ore body average due to the pushback of the pit wall. The benefits from the mill expansion completed in 1999 partially offset the impact of the lower grades. In 2000, Troilus achieved its highest mill throughput since start-up, processing over five million tonnes of ore, which was an increase of six per cent from 1999. Further improvements in throughput are expected in 2001. Troilus also implemented a number of operational improvements in 2000, including the installation of a column flotation cell, which increased copper concentrate grades by 14 per cent, and the installation of an expert system to maximize performance of the grinding circuit in the mill.

Gold grades decreased 31 per cent in 2000 from 1999, reflecting the lower grade ore at the top of the ore body, which was mined during

the pushback of the pit wall. As a result of lower gold grades and higher energy costs, cash costs were higher in 2000 compared to 1999. At the beginning of 2001 Troilus added an additional truck to its haulage fleet. This provides the opportunity to increase the grade of ore processed while stockpiling lower grade ore to be processed at the end of the mine life. Gold grades in 2001 are expected to increase by approximately 20 per cent. In the latter part of 2001, Troilus will return to the bottom of the original starter pit where gold grades are up to 50 per cent greater than in the perimeter of the ore deposit.

Capital expenditures in 2000 were $15 million, which included $12 million in capitalized stripping and the balance on mill improvements. Capital spending in 2001, including capitalized stripping, will be approximately $3 million.

Accurate predictions of the mill feed grade are essential for the successful mining of this low-grade deposit, and have been difficult to achieve since production began. A new sampling protocol in the mine has now been finalized and is fully functional. Substantial effort was made during 2000 to improve our understanding of the ore reserves, which is expected to improve our ability to forecast grade and tonnage over the remaining mine life.

Ok Tedi (18 per cent owned)

Operating Information (100 per cent)					**Objective**
			1999	**2000**	2001
Tonnes of ore milled (thousands)			26,500	**29,300**	30,000
Tonnes of ore milled per day			73,000	**80,000**	83,000
Strip ratio			2.3	**2.0**	1.8
Grades	Copper	(per cent)	0.9	**0.9**	0.8
	Gold	(grams/tonne)	0.8	**0.9**	0.7
Mill recoveries	Copper	(per cent)	81	**76**	82
	Gold	(per cent)	61	**62**	70
Metal production	Copper	(tonnes)	187,900	**203,100**	195,000
	Gold	(ounces)	401,600	**534,000**	500,000
Cash cost per pound of copper			U.S.$0.55	**U.S.$0.48**	U.S.$0.52
Total cost per pound of copper			U.S.$0.76	**U.S.$0.67**	U.S.$0.71
Capital expenditures (thousands)			U.S.$5,200	**U.S.$17,700**	U.S.$15,000

Operationally, Ok Tedi had a successful year, producing 203,100 tonnes of copper and 534,000 ounces of gold at a cash cost of U.S.$0.48 per pound of copper and total cost of U.S.$0.67 per pound. Despite Ok Tedi's operational success, it did not contribute to Inmet's earnings or cash flow in 2000 as no dividends were paid. The long-term continuation of Ok Tedi's operations depends on the successful resolution of consultations underway with communities affected by the operation of the mine. Ok Tedi is one of the world's largest copper and gold producers with the potential to generate significant earnings and cash flow to Inmet over its remaining 10 year mine life.

Mill throughput increased 10 per cent to 80,000 tonnes per day compared to 1999, and should exceed this level in 2001. Cash costs per pound of copper fell in 2000 due to higher gold grades. Copper and gold grades are expected to decline somewhat in 2001.

During the year, capital expenditures were approximately U.S.$18 million, including U.S.$17 million on mobile mine equipment. In 2001, a further U.S.$15 million of capital expenditures on mobile equipment will complete the upgrade of the mining fleet for the balance of the mine life.

Ok Tedi did not pay dividends in 2000, partly as a result of a substantial build-up of concentrate inventory due to impaired concentrate pipeline performance and shipping delays resulting from copper concentrate storage restrictions at the smelters.

MESSAGE TO SHAREHOLDERS

Concentrate stocks reached a high of 170,000 tonnes in November. Normal levels of concentrate inventory are approximately 30,000 tonnes. The pipeline is now performing in line with expectations and excess concentrate stocks are being shipped. This will provide significant cash flow in 2001, which should allow Ok Tedi to recommence regular dividend payments.

Ok Tedi is continuing the dredging program commenced in March 1998, under which mine-derived sediments are dredged from the lower Ok Tedi River and stored behind engineered embankments adjacent to the river. Ok Tedi also continues to investigate a number of operating improvements with the objective of mitigating to the extent possible the environmental impact of its operation. These investigations have the potential to reduce both copper and sulphide discharges to the environment.

Ok Tedi, in cooperation with the Government of Papua New Guinea, is engaged in consultations with affected communities concerning the future of the mine. The objective of these consultations is to establish an informed and consensual arrangement with affected communities for compensation and infrastructure development, and to establish a stable legislative framework for continued mine operations. Inmet supports the consultation process being undertaken by Ok Tedi and the Government, and believes that the informed consent of these communities is a fundamental component of the arrangements necessary to ensure the continued operation of Ok Tedi for the balance of its mine life.

The Government of Papua New Guinea has stated its desire to see mine operations continue for the balance of the mine's 10 year life. BHP Limited ("BHP"), the majority shareholder of Ok Tedi, has announced that it is not comfortable maintaining its role in Ok Tedi. BHP is seeking to terminate its involvement with Ok Tedi in a way that ensures a smooth transition. Discussions are ongoing among the shareholders of Ok Tedi regarding the arrangements necessary to permit the future operation of the mine in accordance with appropriate technical and environmental standards.

Corporate Development

In 2000, we developed a growth strategy which took into consideration our competitive advantage in identifying, developing and operating copper and zinc properties.

We believe that to be successful, we must consider all stages of opportunities from advanced exploration properties to operating mines. We also have examined a number of potential corporate mergers and will continue to do so. We are geographically targeting the Americas, Australia and Europe.

Our exploration program is focused on advanced opportunities where the likelihood of success can be determined quickly and accurately. Also, our exploration efforts will only consider opportunities located near infrastructure. A substantial effort was made in 2000 to build a quality portfolio of copper and zinc exploration properties, the bulk of which will be pursued in 2001.

- In Australia, we entered into an option agreement to earn a 60 per cent interest in the Woodlawn base metal property located in eastern New South Wales, Australia. We also signed a letter of intent regarding an option to explore the Teutonic Bore base metal property in Western Australia.

- In Europe, we formed a joint venture with Boliden Limited to explore the volcanogenic massive sulphide potential of the Bergslagen belt located in south central Sweden. In order to earn a 50 per cent joint venture interest, Inmet must, at its option, spend U.S.$8.5 million on exploration on the property prior to December 31, 2005, of which Inmet is committed to spend U.S.$1.25 million prior to December 31, 2001. This region is well endowed with base metals, with two zinc mines currently in production. The joint venture owns exploration permits covering an area of approximately 100,000 hectares. The Bergslagen belt has seen little exploration activity over the past 20 years.

Merger and acquisition activities have included the detailed evaluation of a number of companies with copper and/or zinc assets considered to be of interest to Inmet as well as more than 15 producing base metal mines or advanced projects. Inmet has approached these opportunities with the objective of adding value by expanding reserves or making operational improvements. Although no transaction was completed during the year, we continue to pursue many opportunities. This

effort will continue in 2001, with a focus on completing a transaction that will enhance shareholder value.

Future Direction

The base metals industry is in a phase of consolidation and restructuring. This is driven in part by the major mining companies that see critical mass as an important factor in attracting equity investors, and that also seek to gain a larger share of the metals markets. For smaller mining companies finding and financing quality opportunities are the major challenges to growth. Inmet will only enter into opportunities which generate a sufficiently high return and which can be readily financed. Our strong balance sheet is a competitive advantage in this regard. We believe that our strategy is still appropriate and achievable, and it remains unchanged:

To grow as a base metal mining company providing superior returns to shareholders.

There are two elements to our strategy; growth and superior returns. The objectives we have set for ourselves in 2001 are focused not only on providing returns from future growth opportunities, but also on continually maximizing the value of our existing asset base. This will involve the following:

- At Çayeli, we will evaluate opportunities to mine the deeper ore reserves. This will include engineering work on the possible extension of the existing shaft as well as further exploration of the ore body with a view to possibly increasing future production.
- At Ok Tedi, achieving an agreement with all parties with respect to the mine continuation and future shareholding structure, together with recommencement of dividends, is critical to providing superior returns as well as a sound financial base for our growth plans.
- At Troilus, as mining moves back into the centre of the pit, maximizing the throughput of higher-grade ore will ensure that we achieve optimal returns from this operation for the balance of the mine life.
- At Izok, the value of this high-grade resource to Inmet depends on the development of infrastructure in the region. We will make every effort to assist the Government of Nunavut in its assessment of its available options. The results of these efforts will provide a basis for a more realistic valuation of this property.
- Inmet's 3.3 per cent net proceeds interest in Antamina is growing in value as the mine approaches the commencement of production in early 2002.
- General and administration costs continue to be reduced. In addition, reclamation spending will decrease substantially in 2001, which reflects the substantial advancement and the risk management efforts associated with reclamation projects.
- Although we continue to believe that value can be added through exploration, we have focused our exploration efforts on fewer targets and will reduce overhead spending by closing a number of our field offices. As a result we will see a substantial decrease in exploration spending in 2001 while still maintaining a good stable of exploration prospects.
- We will consider extending our share buyback program, subject to regulatory approval, as long as our shares are under-valued and until we can find a growth opportunity with a return that can compete.

Employees

We are very proud of our employees. Their dedication and hard work has enabled Inmet to achieve a great deal in 2000, and is the basis for our confidence in the future.

The keys to our competitive advantage are the skills, knowledge and enthusiasm of our employees. Inmet is committed to providing an organization where our employees can maximize the contribution they make to achieve Inmet's strategy.

The entire management team and the employees of Inmet are committed to growing Inmet in a manner that provides superior returns which will ultimately lead to share price appreciation.

William James

William James
Chairman of the Board

Richard Ross

Richard A. Ross
President and Chief Executive Officer

MINERAL RESERVES AND RESOURCES

OPERATING PROPERTIES :: *As at December 31, 2000*

	Category	Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	Contained Metal (x 1000) Cu tonnes	Zn tonnes	Au ounces	Ag ounces	Inmet's Interest (%)
Mineral Reserves											
Ok Tedi	Proven	253,400	0.9	–	1.0	–	2,281	–	7,821	–	18
	Probable	34,200	0.7	–	0.7	–	226	–	803	–	18
	Total	287,600	0.9	–	0.9	–	2,507	–	8,624	–	18
Çayeli	Proven	5,500	3.7	5.8	0.7	42	205	321	125	7,481	49
	Probable	9,100	4.3	6.4	0.7	59	391	582	205	17,239	49
	Total	14,600	4.1	6.2	0.7	53	596	903	330	24,720	49
Troilus	Proven	9,100	0.1	–	0.9	1.1	10	–	276	321	100
	Probable	21,500	0.1	–	1.1	1.1	21	–	742	762	100
	Total	30,600	0.1	–	1.0	1.1	31	–	1,018	1,083	100
						Total	3,134	903	9,972	25,803	
						Inmet's share	774	442	2,732	13,196	
Mineral Resources											
Çayeli	Inferred	1,300	4.9	8.6	–	–	64	112	–	–	49
						Inmet's share	31	55	–	–	

UNDEVELOPED PROPERTIES :: *As at December 31, 2000*

	Category	Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	Contained Metal (x 1000) Cu tonnes	Zn tonnes	Au ounces	Ag ounces	Inmet's Interest (%)
Mineral Resources											
Petaquilla	Indicated	1,096,500	0.5	–	0.1	–	5,263	–	3,173	–	48
Izok	Indicated	16,500	2.2	11.4	–	60	363	1,881	–	31,829	100
						Total	5,626	1,881	3,173	31,829	
						Inmet's share	2,889	1,881	1,523	31,829	

- Contained metal figures are reported before taking into account mill recovery factors.
- Estimates of tonnes, grades and contained metal represent 100 per cent of the property, other than the lines titled "Inmet's share".
- Indicated resources do not have demonstrated economic viability.
- Indicated resources, as quoted, include appropriate dilution and mining recovery factors.
- Çayeli inferred resources are in addition to reserves.

Notes to Mineral Reserves and Resources

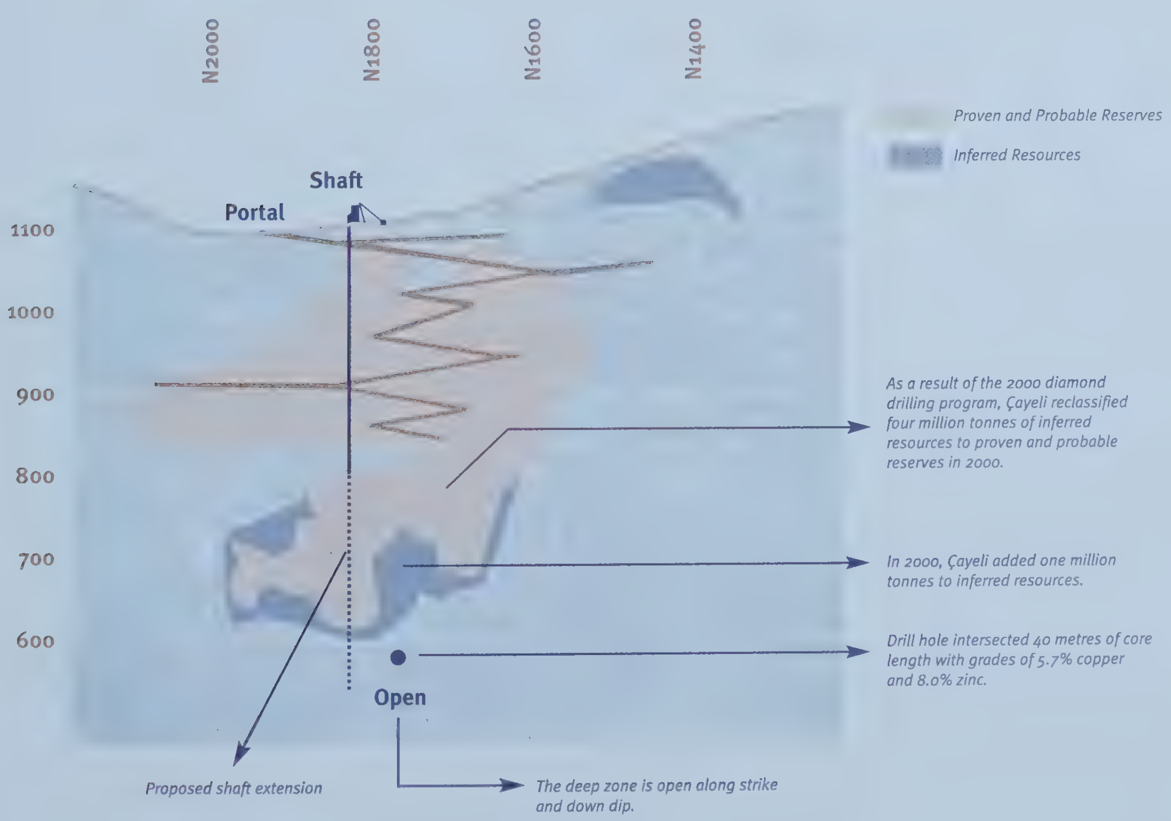
Except as noted, mineral reserves and resources have been estimated at December 31, 2000 in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on August 20, 2000 (the "CIM Definitions").

Reserves and resources for Çayeli were prepared under the joint supervision of Frank Balint, P. Geol. (Vice-President, Corporate Development, Inmet) and Joe Boaro, P. Eng. (Senior Technical Manager, Çayeli), who are qualified persons for the purposes of National Instrument 43-101. Çayeli's reserves and resources have been calculated using a copper price of U.S.$0.95 per pound and a zinc price of U.S.$0.60 per pound and are based on a 2.5 per cent copper equivalent cut-off grade.

Reserves and resources for Troilus were prepared under the joint supervision of Frank Balint, P. Geol. (Vice-President, Corporate Development, Inmet) and David Warren, P. Eng. (Chief Engineer, Troilus), who are qualified persons for the purposes of National Instrument 43-101. Troilus' reserves have been calculated using a gold price of U.S.$300 per ounce and are based on a cut-off grade of 0.5 grams of gold per tonne. The block model for gold used in estimating the reserves has been independently reviewed and validated by MRDI, an independent ore reserve consulting firm.

Reserves for Ok Tedi were prepared by Ok Tedi Mining Limited ("OTML") and provided to Inmet. OTML has advised that these reserves as at December 31, 2000 have been determined by adjusting for production between June 30, 2000 and December 31, 2000 reserves calculated and certified as at June 30, 2000 in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, published by the joint ore reserves committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Australian

Longitudinal section of the Çayeli ore body



Mining Industry Council (the "Australasian Code"). The competent persons, as defined in the Australasian Code, responsible for the estimate included Stuart L. Green (Technical Services Manager, OTML). Inmet has not independently verified these reserves. Frank Balint, P.Geol. (Vice-President, Corporate Development, Inmet), a qualified person for the purposes of National Instrument 43-101, has reviewed the relevant definitions of proven and probable reserves under the Australasian Code, in relation to the estimation of proven and probable reserves by OTML, and has concluded that the confidence levels used to categorize those reserves under the Australasian Code are consistent with those required under the CIM Definitions. The Ok Tedi reserves have been calculated using a copper price of U.S.$0.90 per pound and a gold price of U.S.$300 per ounce. In 2000, mine recovery factors for copper and gold used in the reserve estimates were adjusted upwards from 90 per cent to 97 per cent to conform with production experience.

Resources for Petaquilla include an assessment for mining dilution and recovery and are based on an open pit mine plan with an overall strip ratio of 1.1 to 1. The resources, which were estimated by H. A. Simons, an independent mine engineering firm, in 1998, have been calculated using a net smelter return cut-off of U.S.$3.10 per tonne of ore at a copper price of U.S.$1.10 per pound. This estimate, made before the adoption of National Instrument 43-101, continues to be relevant and reliable and uses categories that are consistent with the CIM Definitions.

Resources for Izok include appropriate mining dilution and recovery factors. The resource estimate calculation contemplates that 90 per cent of the resource could be mined from an open pit with an overall strip ratio of 3.2 to 1 and the remaining resource could be mined from underground. The resources, which were estimated by Strathcona Mineral Services Limited in March 1994, have been calculated using a net smelter return cut-off of U.S.$30 per tonne of ore at a zinc price of U.S.$0.59 per pound and a copper price of U.S.$0.90 per pound. This estimate, made before the adoption of National Instrument 43-101, continues to be relevant and reliable and uses categories that are consistent with the CIM Definitions.

SAFETY, HEALTH AND ENVIRONMENT

Inmet's Safety, Health and Environment Policy is reviewed on a regular basis and was revised in 2000 to better communicate Inmet's commitment and its expectations of its employees with respect to safety, health and environmental practice. The revised policy is as follows:

Safety, Health and Environment Policy

Inmet is committed to adhering to standards of responsible environmental, health and safety practice throughout the business life cycle. Specifically, in connection with safety, health and environment, Inmet will:

- *Design, implement, continually evaluate and improve management systems and other tools*
- *Regularly measure performance against recognized industry standards*
- *Continuously improve performance*
- *Make available to its employees the necessary resources to identify, manage and reduce environmental and workplace risks*

Inmet expects its employees and contractors to assume responsibility for safety, health and environment by:

- *Working safely under all circumstances*
- *Participating in training sessions*
- *Understanding their compliance obligations*
- *Communicating any unacceptable practices to management*

Inmet has implemented safety, health and environment management systems at its operating mines and closed properties, and monitors the effectiveness of its management systems through regular audits. An environmental audit performed at Çayeli in 2000 confirmed Çayeli's commitment to implementing North American mining industry environmental best management practices.

With effective risk-based management, Inmet advanced its reclamation projects in 2000. Reclamation spending in 2000 was $12 million, which was over 50 per cent less than 1999. In 2001, reclamation spending is expected to again drop by over 50 per cent in comparison to 2000. Reclamation projects in 2000 included the revegetation programs at Inmet's subsidiary Copper Range Company ("Copper Range") and Winston Lake, and demolition work at Norbec and Winston Lake. More specifically;

- At Copper Range, more than 2,500 acres of tailings were revegetated. By the end of 2000 substantially all of Copper Range's 5,500 acres of tailings have been revegetated;
- At Norbec, dams were upgraded as part of the long-term water management strategy;
- All remaining obsolete buildings were demolished at Copper Range, Norbec and Winston Lake; and
- At Winston Lake, all remaining contaminated surface materials were consolidated into the tailings impoundment for permanent storage under water.

Active water treatment operations at Samatosum and Norbec continue to perform well, ensuring no adverse impacts to water quality. We continue to improve the performance of these operations to ensure compliance in a cost-effective manner.

The Ok Tedi mine, in which Inmet has an 18 per cent interest, remains a significant environmental challenge because of the competing social, economic and environmental values which need to be balanced in relation to the ongoing operation of the mine.

The current round of community consultations sponsored by the Government of Papua New Guinea is intended to result in mine continuation agreements with affected communities covering the remaining mine life. These agreements are likely to include additional compensation payments and additional programs directed at sustainable improvements to infrastructure and the economic well being of the Western Province of Papua New Guinea following mine closure in 2011.

In 2000, Ok Tedi continued its environmental investigations arising out of the peer reviewed risk assessment released in August 1999. That risk assessment indicated that the environmental impacts of the mine were expected to be significantly greater than previously expected and that none of the options examined, including early closure of the mine, offers a clear solution to the environmental impacts of the mine. Further monitoring and research has clarified certain areas of uncertainty, and has identified additional issues for further review. Studies are being undertaken in an attempt to better understand the potential for acid drainage from mine wastes deposited in the river system and in the storage areas from mine wastes dredged from the lower Ok Tedi river.

During 2000, in accordance with its commitment to the Government of Papua New Guinea, Ok Tedi submitted a 10 year mine closure and rehabilitation plan along with a discussion paper on social and sustainable development issues associated with mine closure. These documents are expected to form the basis for a participatory process of mine closure planning.

The following is a discussion and analysis of the consolidated financial condition and results of operations of Inmet. The discussion and analysis should be read in conjunction with the financial information included in the consolidated financial statements.

SUMMARY OF FINANCIAL RESULTS

Earnings before non-recurring items were $9.8 million in 2000, compared to $19.5 million in 1999. The decrease in earnings in comparison to 1999 is a result of decreased gold production at Troilus, no dividends received from Ok Tedi in 2000, increased corporate development expenditures and increased taxes at Çayeli.

As a result of substantial progress toward remediation of closed sites, Inmet reduced its provision for reclamation costs by $20 million in 1999. The success of Inmet's reclamation program was reflected in its 2000 reclamation spending which dropped by $14 million in 2000, compared to 1999. This trend is expected to continue in 2001 with a further reduction in reclamation spending to $5 million.

The table below presents a summary of the consolidated statements of operations by source.

:: *(millions of dollars, except per share amounts)*	**2000**	1999
Operations' earnings[1]		
Çayeli[2]	**$20.4**	$20.1
Troilus	**6.8**	8.2
Ok Tedi	**(0.2)**	3.0
Other	**–**	(0.3)
	27.0	31.0
Corporate development and exploration	**(9.6)**	(6.5)
General and administration	**(6.9)**	(6.2)
Net interest and other income	**5.7**	4.2
Capital tax expense	**(0.9)**	(0.8)
Income tax expense	**(5.5)**	(2.2)
Earnings before non-recurring items	**9.8**	19.5
Reduction in provision for reclamation costs	**–**	20.0
Net income	**$9.8**	$39.5
Net income per common share	**$0.17**	$0.90

[1] Sales less cost of sales and amortization, except Ok Tedi which represents Inmet's 18 per cent equity accounted interest to March 31, 2000. From April 1, 2000 Inmet cost accounts for its interest in Ok Tedi.

[2] Represents Inmet's 49 per cent joint venture interest.

Sales

Inmet's consolidated sales by operation, metal and volume were as follows:

:: *(millions of dollars)*	**2000**	1999
NET SALES BY OPERATION		
Çayeli[1]	**$43.6**	$ 43.7
Troilus	**62.9**	72.9
	$106.5	$116.6
NET SALES BY METAL		
Copper	**$ 40.4**	$ 37.1
Gold	**55.4**	65.4
Zinc	**8.8**	11.8
Other sales	**1.9**	2.3
	$106.5	$116.6
SALES BY METAL VOLUME[2]		
Copper (tonnes)	**23,100**	25,000
Gold (ounces)	**122,500**	168,400
Zinc (tonnes)	**12,700**	16,000

[1] Represents Inmet's 49 per cent joint venture interest.

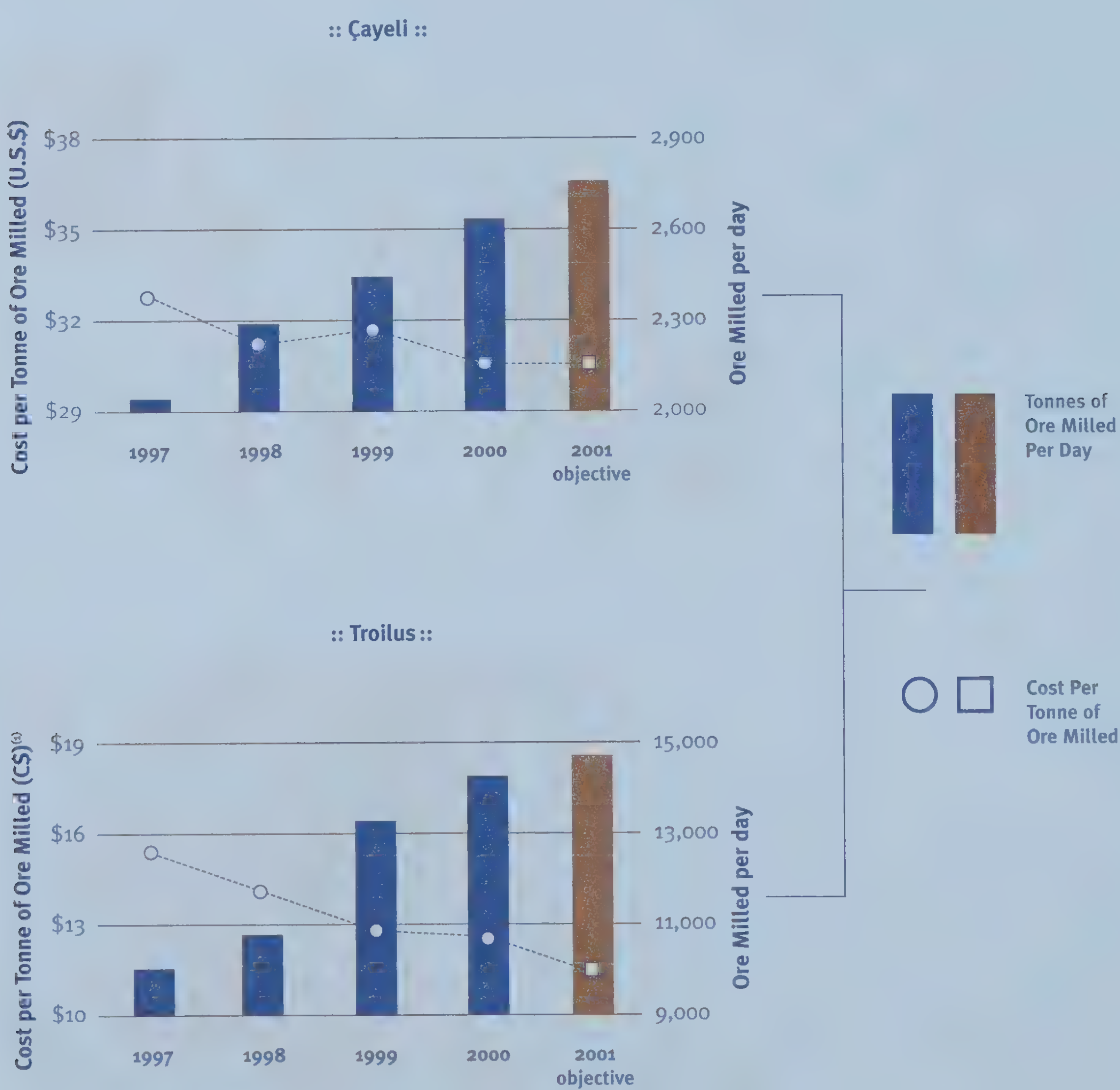
[2] Sales volumes do not include sales of metal from Ok Tedi.

Net sales decreased $10.1 million in 2000 compared to 1999. In 2000, lower metal production reduced sales by $29 million, of which $19 million was the result of reduced gold production. Higher metal prices offset $14 million of this decrease and lower processing and freight costs associated with reduced production volumes offset another $5 million. The average copper price realized in 2000 was U.S.$0.83 per pound compared to U.S.$0.76 per pound in 1999. The average gold price realized by Inmet, taking into account the effect of its hedging program, was U.S.$313 per ounce in 2000 compared to U.S.$275 per ounce in 1999. Zinc prices were slightly higher in 2000, at U.S.$0.50 per pound compared to U.S.$0.49 per pound in 1999.

2001 Outlook – Sales at Çayeli in 2001 will be affected by the strike. At Troilus, gold production and sales are expected to increase substantially.

Results of Operations

Inmet's operations continue to improve their performance through productivity enhancements and cost management. Since 1997, both Çayeli and Troilus have shown substantial progress in improving ore throughput and productivity. Inmet will continue to initiate further improvements through 2001 in an effort to enhance profitability. The charts below show the trends at both Çayeli and Troilus with respect to increased throughput and decreased costs by year.



[1] Includes direct production costs and stripping costs.

Çayeli

Inmet's 49% share	Copper 2000	Copper 1999	Zinc 2000	Zinc 1999	Other 2000	Other 1999	Total 2000[1]	Total 1999[1]
SALES ANALYSIS								
Sales (tonnes)	**18,300**	19,600	**12,700**	16,000				
Prices (U.S.$/lb)	**$0.83**	$0.76	**$0.50**	$0.49				
Total sales[1]	**$49.7**	$48.7	**$20.9**	$25.9	**$1.0**	$1.0	**$71.6**	$75.6
Processing charges							**(28.0)**	(31.9)
Net sales							**43.6**	43.7
COST ANALYSIS								
Mill throughput (tonnes)	**421,800**	439,400						
Direct cash costs (U.S.$/tonne)	**$30.48**	$31.62					**(19.1)**	(20.7)
Costs incurred during strike							**(0.7)**	–
Non-cash costs[2]							**(3.4)**	(2.9)
Operating costs							**(23.2)**	(23.6)
Operating earnings							**$20.4**	$20.1
Cash flow from operations[3]							**$20.5**	$17.5

[1] Millions of Canadian dollars.

[2] Includes amortization and other non-cash costs.

[3] Cash flow from operations includes the payment of taxes and interest.

Çayeli's earnings in 2000 were consistent with 1999 levels.

Çayeli continues to demonstrate improvements in productivity as evidenced by an eight per cent increase in daily throughput and lower costs. Production in 2000 was hampered by two operational stoppages arising from a gear box failure in January and a strike in December. These two events equated to 39 days of lost production, yet throughput was only four per cent below 1999 levels. Production was further affected in 2000 by lower grades being mined.

Unit cash costs were higher in 2000 at U.S.$0.43 per pound compared to U.S.$0.40 per pound in 1999 due to decreased by-product credits from lower zinc production. Business interruption insurance mitigated the earnings impact of the gear box failure, and standby costs of $0.7 million incurred during December in relation to the work stoppage have been excluded from unit cash costs.

2001 Outlook – Çayeli's mill is expected to operate at an annualized throughput rate of one million tonnes per year. Costs are expected to remain consistent with 2000 levels, but there are factors in 2001 which could lead to higher operating costs. There is a potential for increased costs associated with Çayeli's port lease, which is in the process of being renegotiated and costs associated with the strike.

Troilus

Inmet's 100% share	Gold 2000	Gold 1999	Copper 2000	Copper 1999	Other 2000	Other 1999	Total 2000[1]	Total 1999[1]
SALES ANALYSIS								
Sales (gold ounces/copper tonnes)	**122,500**	168,400	**4,800**	5,400				
Prices (U.S.$/ounce/U.S.$/lb)	**$313**	$275	**$0.82**	$0.74				
Total sales[1]	**$57.4**	$68.1	**$13.0**	$13.0	**$1.1**	$1.5	**$71.5**	$82.6
Processing charges							**(8.6)**	(9.7)
Net sales							**62.9**	72.9
COST ANALYSIS								
Mill throughput (000's tonnes)	**5,135**	4,850						
Direct cash costs (C$/tonne)	**$12.74**	$12.91					**(65.4)**	(62.6)
Capitalized stripping (C$/tonne)	**$(2.33)**						**12.0**	–
Non-cash costs[2]							**(2.7)**	(2.1)
Operating costs							**(56.1)**	(64.7)
Operating earnings							**$6.8**	$8.2
Cash flow from operations							**$15.3**	$10.5

Millions of Canadian dollars.

Includes amortization and other non-cash costs.

Operating earnings at Troilus in 2000 were lower than 1999 due to reduced gold production. As expected, in 2000 gold grades and ore availability dropped with the pushback of the pit.

In 2000, the portion of Troilus mining costs in excess of the average life-of-mine strip ratio was capitalized. These costs will be amortized in future periods when the strip ratio is below the life-of-mine average. Direct costs, before capitalizing $12 million in stripping, were higher in 2000 due largely to a $2 million increase in fuel costs. Apart from the effect of higher fuel prices, Troilus has maintained consistent spending levels while increasing throughput. Unit cash costs increased to U.S.$263 per ounce from U.S.$231 per ounce in 1999, as a result of decreased production.

Cash flows from operations were positively affected in 2000 by the collection of concentrate receivables from the higher levels of 1999 production.

2001 Outlook – In 2001, Troilus will increase its cut-off grade and by the end of 2001 it is expected that Troilus will again be mining in the higher grade section of the pit. The higher gold production is expected to improve profitability in 2001. In addition, Inmet's gold hedging program will ensure a gold price received of U.S.$344 per ounce in 2001 for approximately 40 per cent of Troilus' anticipated gold production.

Ok Tedi

100% basis	Copper **2000**	Copper 1999	Gold **2000**	Gold 1999	Other **2000**	Other 1999	Total **2000**[1]	Total 1999[1]
SALES ANALYSIS								
Sales								
(copper tonnes/gold ounces)	**184,500**	182,600	**480,400**	388,900				
Prices (U.S.$/lb/U.S.$/ounce)	**$0.80**	$0.72	**$287**	$284				
Total sales[1]	**$482.5**	$429.1	**$204.7**	$164.1	**$9.4**	$8.3	**$696.6**	$601.5
Processing charges							**(150.3)**	(137.2)
Net sales							**546.3**	464.3
COST ANALYSIS								
Mill throughput (000's tonnes)	**29,300**	26,500						
Direct cash costs (U.S.$/tonne)	**$9.01**	$9.19					**(392.1)**	(362.7)
Capital expenditures							**(26.3)**	(7.7)
Tax payments							**(39.0)**	(22.1)
Working capital							**(40.1)**	35.9
Other costs							**(37.4)**	(25.8)
Total costs							**(534.9)**	(382.4)
Cash flow before dividend payments							**$11.4**	$81.9
Inmet's 18 per cent share of dividends							**$–**	$10.5
Inmet's 18 per cent equity share of earnings							**$(0.2)**	$3.0

[1] Millions of Canadian dollars.

Effective April 1, 2000, Inmet changed from the equity to the cost method of accounting for its 18 per cent investment in Ok Tedi. Under the cost method, earnings will only be recorded when distributed as dividends, accordingly, the above table reflects cash flows at Ok Tedi.

Operating results in 2000, when compared to 1999, have improved at Ok Tedi as a result of higher sales volumes at higher metal prices and efficiencies realized from higher throughput. Unit costs have decreased to U.S.$0.48 per pound in 2000 compared to U.S.$0.55 per pound in 1999 mainly due to a significant increase in gold by-product credits.

Ok Tedi generated cash flow before dividends in 2000 of $11.4 million, a considerable decrease from cash flow of $81.9 million in 1999, as a result of a significant build-up in its concentrate stockpiles and high capital expenditures. As a consequence, no dividends were paid in 2000. By the end of 2000, concentrate stockpiles were being shipped and U.S.$15 million remains to be spent in 2001 on the equipment replacement program.

2001 Outlook – Throughput is expected to increase in 2001, but with an expected decline in grades, copper and gold production at Ok Tedi should be similar to 2000 levels. Sales are expected to increase as excess concentrate stocks are shipped. This will provide additional cash flow in 2001 and should allow Ok Tedi to recommence its regular dividend payments. Following the release of major new environmental studies in mid-1999, Ok Tedi is in the process of extensive consultations with the Government of Papua New Guinea and with residents of communities affected by the mine's operations regarding compensation for environmental damage and the regulatory framework for the mine's continued operation. Discussions are ongoing among the shareholders of Ok Tedi concerning BHP Limited's desire to withdraw as majority shareholder and operator of the mine. The resolution of the environmental and social issues faced by Ok Tedi is highly uncertain. These matters, along with the future operating arrangements for the mine, could have a significant effect on Ok Tedi's operations and future cash flows.

Corporate development and exploration

:: (millions of dollars)	2000	1999
Exploration	$ 7.7	$ 5.1
Merger and acquisitions	1.7	0.9
Advanced opportunities	0.2	0.5
	$ 9.6	$ 6.5

In 2000, the exploration program included a generative program to build a quality portfolio of copper and zinc exploration properties. In addition, Inmet completed detailed evaluations of a number of companies with base metal assets and evaluated more than 15 producing base metal mines or advanced projects to assess merger or acquisition opportunities.

2001 Outlook – In 2001, exploration spending will be significantly reduced. Inmet plans to focus its efforts on the portfolio of properties generated by the 2000 exploration program. Merger and acquisition evaluations will also continue in 2001.

General and administration

Excluding restructuring charges of $1.5 million and $0.5 million in 2000 and 1999, respectively, general and administration expenses in 2000 decreased five per cent. The $1.5 million restructuring charge in 2000 includes costs associated with the closure of a number of Inmet's field exploration offices and a reduction of staff.

2001 Outlook – General and administration costs will decrease further in 2001 reflecting the impact of the restructuring initiated at the end of 2000.

Investment and other income

:: (millions of dollars)	2000	1999
Interest income	$ 4.0	$ 5.3
Gains on sale of assets	5.7	5.2
Foreign exchange gain (loss)	0.2	(2.0)
Other	0.4	(0.3)
	$ 10.3	$ 8.2

In 2000, Inmet received payments of $5.7 million relating to the 1995 sale of Inmet's interest in Montanwerke Brixlegg, an Austrian secondary copper smelter. During 1999, Inmet recorded gains on sales of three non-core assets.

2001 Outlook – Investment and other income during 2001 will depend principally on Inmet's cash and short-term investments balance and on short-term interest rates.

Interest expense

:: (millions of dollars)	2000	1999
Convertible debentures	$ 1.6	$ 2.0
Çayeli	1.2	1.8
Other	1.0	0.2
	$ 3.8	$ 4.0

In June 2000, Çayeli fully repaid the commercial bank tranche of its project financing, resulting in lower interest payments in 2000. Also included in 2000 are the financing costs associated with long-term water treatment at Inmet's closed sites.

2001 Outlook – Interest expense is expected to further decline due to scheduled debt repayments on the Çayeli project financing.

Income tax expense

:: (millions of dollars)	2000	1999
Çayeli taxes	$ 6.6	$ 0.4
Withholding tax and other	–	1.8
Corporate tax recovery	(0.3)	–
Recovery on expiry of warrants	(0.8)	–
	$ 5.5	$2.2

In 2000, Inmet's share of Çayeli's tax expense was $6.6 million, which equates to a 34 per cent effective rate. This is lower than the statutory rate of 50 per cent as it includes the positive impact of loss carry-forwards and incentive credits. Inmet has significant tax benefits from non-capital tax losses and mining resource pools, of which $0.3 million was recorded in anticipation of future taxable income.

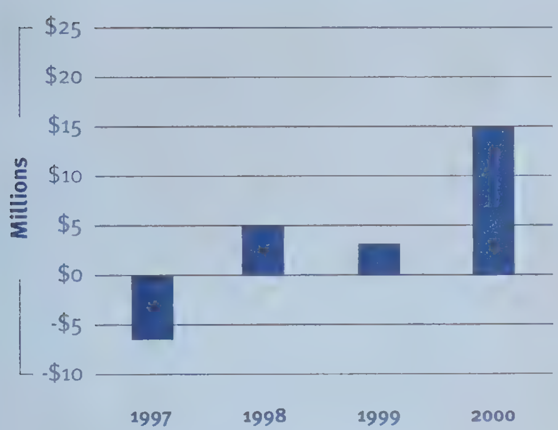
2001 Outlook – Çayeli's effective tax rate in 2001 is expected to be approximately 50 per cent, which includes corporate tax, state and mining tax and withholding tax. Dividends from Çayeli in 2001 will be partially paid through a tax reserve account and therefore subject to certain additional Turkish corporate and withholding taxes.

LIQUIDITY AND FINANCIAL CONDITION

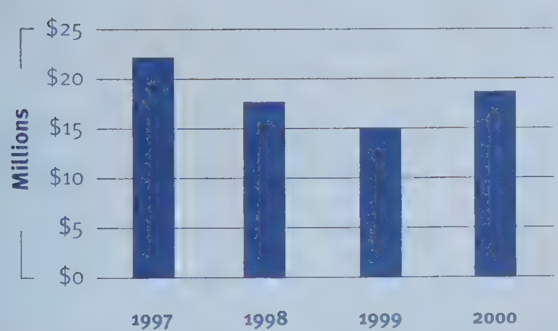
Liquidity

In 2000, cash flow from operations of $15 million was a five year record high. During the year, expenditures on capital assets were $19 million, debt repayments were $8 million and $4 million was used to repurchase Inmet shares pursuant to a normal course issuer bid. As a result, consolidated cash and short-term investments decreased by $16 million to $77 million.

:: Operating Cash Flows ::



:: Capital Expenditures[1] ::



[1] Capital expenditures incurred at Çayeli and Troilus.

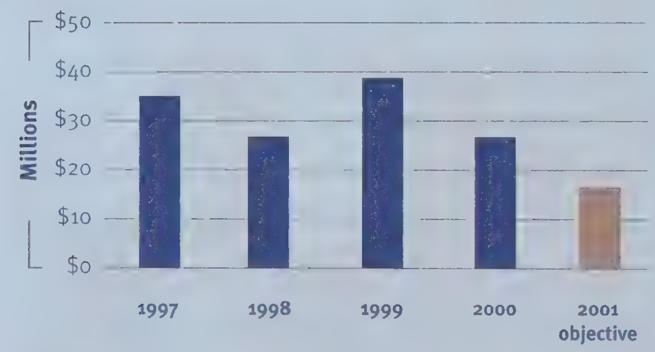
Consolidated sources and uses of cash during 2000 and 1999 were as follows:

:: *(millions of dollars)*	2000	1999
Cash and short-term investments, beginning of year	$93	$173
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Çayeli	21	17
Troilus	15	11
Ok Tedi	–	11
	36	39
Corporate development and exploration	(9)	(6)
General and administration	(6)	(7)
Investment income and other	6	3
	27	29
Reclamation costs, net of asset sales	(12)	(26)
	15	3
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Sale of non-core assets	–	81
Capital assets – Çayeli	(4)	(4)
Capital assets – Troilus	(15)	(11)
Restricted cash	–	10
	(19)	76
CASH USED IN FINANCING ACTIVITIES		
Repayment of debentures	–	(125)
Share buyback	(4)	–
Repayment of debt	(8)	(34)
	(12)	(159)
Cash and short-term investments, end of year	$77	$93

Cash flows from operating activities

Inmet's cash flow from operations was $15 million in 2000 compared to $3 million in 1999. In 2000, cash flow from Çayeli and Troilus increased by $8 million. No dividends were received from Ok Tedi in 2000, although dividend payments are expected to recommence in 2001. Dividends from Ok Tedi in 1999 were $11 million. In 2000, $5.7 million was received in early settlement of deferred payments on the 1995 sale of Montanwerke Brixlegg. Corporate spending decreased $12 million in 2000 as a result of a 50 per cent reduction in reclamation spending, a reduction in general and administration expenses offset, in part, by higher corporate development and exploration spending. In 2001, corporate spending is expected to decline an additional $10 million. Inmet has reduced corporate spending to maximize cash flows, as illustrated in the following chart:

:: Corporate Spending[1] ::



[1] Corporate spending includes general and administration, corporate development and exploration expenditures and reclamation costs.

Cash flows from investing activities

Capital expenditures at Troilus in 2000 included $12 million related to stripping costs incurred above the life-of-mine average strip ratio. In 2001, the strip ratio is expected to be the same as the life-of-mine average. If expectations are met, no stripping costs will be capitalized. Other capital projects at Troilus in 2000 included the installation of a column flotation cell and an expert system to improve efficiencies within the mill. In 2001, anticipated capital expenditures at Troilus of $3 million include the purchase of a truck and other mine equipment to maximize hauling capacity. At Çayeli, Inmet's share of capital expenditures was $4 million for the year, most of which was associated with the mill expansion. In 2001, the focus is on capital projects that increase Çayeli's potential for future production increases such as upgrading the tailings disposal system, advancing the hanging wall ramp and replacing and upgrading mine and mill equipment. Inmet's share of Çayeli's anticipated capital spending in 2001 is $9 million.

Proceeds from asset dispositions were nil in 2000 compared to $81 million in 1999 from the sale of three non-core assets.

Cash flows from financing activities

Total short-term and long-term debt at year end 2000 was $26 million compared to $35 million in 1999. Repayments of $8 million in 2000 included Inmet's share of Çayeli's scheduled debt repayments of $7 million. Inmet's share of Çayeli's scheduled debt repayments for 2001 are reduced to $3 million, as the commercial bank tranche of its project financing was fully repaid in 2000.

Inmet repurchased a total of 1.9 million common shares during 2000 at a cost of $3.9 million leaving 36,402,400 common shares outstanding as at December 31, 2000. Subsequently, 740,800 common shares were repurchased and as at February 6, 2001, 35,661,600 common shares remain outstanding.

Financial condition

The book value of net assets is summarized below:

:: (millions of dollars, except share amounts)	2000	1999
Consolidated cash and short-term investments	**$77.3**	$93.5
Book value of publicly traded investments	**0.1**	0.5
Operations and joint ventures:		
Ok Tedi	**79.1**	79.3
Troilus	**43.9**	37.5
Çayeli	**25.3**	28.4
Izok	**24.8**	24.8
Petaquilla	**16.7**	16.7
Other	**13.4**	15.6
	280.6	296.3
Reclamation liabilities	**(56.7)**	(68.6)
Convertible debentures[1]	**(49.7)**	(48.1)
Çayeli project debt	**(10.8)**	(18.0)
Net book value	**$163.4**	$161.6
Shares outstanding	**36,402,400**	38,337,358
Net book value per share	**$4.49**	$4.22

[1] Net of the unamortized issue costs and discount of $14.4 million at December 31, 2000.

Inmet's net book value per share has increased in 2000, as a result of positive earnings and the repurchase of shares pursuant to a normal course issuer bid. Project debt and reclamation liabilities have decreased substantially from 1999. At Çayeli, one tranche of project debt remains outstanding with low annual debt repayment requirements. This debt will be repaid by June 2004. A substantial portion of the reclamation liabilities relates to long-term water treatment costs.

The above net book value summary does not include any value associated with Inmet's 3.3 per cent net proceeds interest in respect of the Antamina project. The partners of Antamina are expecting to commence commercial production in early 2002. The net proceeds interest is notionally equivalent to 3.3 per cent of the cash flow available to the shareholders of Compañía Minera Antamina S.A., which owns the project, after the shareholders have recovered their equity in the project.

Financial risk

Inmet's earnings and cash flows are significantly affected by fluctuations in metal prices and in the exchange rate between Canadian and United States dollars. Inmet is highly leveraged to changes in copper prices. Based on 2001 production estimates, the sensitivity of Inmet's net income and cash flows to changes in metal prices and to changes in the Canadian to United States dollar exchange rate are as follows:

	Change in Metal Prices	Effect on Net Income[1]	Effect Per Share
Copper (per pound)	U.S.$0.10	$10.0 million	$0.27
Gold (per ounce)	U.S.$10.00	$1.5 million	$0.04
Zinc (per pound)	U.S.$0.05	$0.5 million	$0.02

	Change in Exchange Rate	Effect on Net Income	Effect Per Share
Canadian dollar/U.S. dollar	U.S.$0.05	$3.0 million	$0.08

[1] Calculations include hedging in place at December 31, 2000.

In order to mitigate the impact of declining prices, Inmet from time to time enters into certain hedge transactions. The Board of Directors has approved hedging policies for both metals and currencies, which ensure that transactions are not speculative in nature. The goal of any particular hedge program is to maintain sufficient liquidity for the relevant operation to meet its commitments while maintaining maximum leverage to upward metal price movements.

Early in 2000, following a sharp increase in the gold price, Inmet locked in advantageous gold prices to the beginning of 2005. The following table includes Inmet's hedging transactions, in relation to Troilus, for the years 2001 to 2005:

	Hedge Volume	Percentage of Anticipated Production	Average Price
GOLD			
2001 forward sales	60,000 ounces	37%	U.S.$344 per ounce
2001 call options	32,000 ounces	20%	U.S.$350 per ounce
2002 forward sales	60,000 ounces	34%	U.S.$324 per ounce
2003 to 2005 forward sales	125,000 ounces	30%	U.S.$323 per ounce
U.S.$			
2001 forward sales	$12 million	22%	$1.4707

Inmet currently has not hedged any of its base metal exposure.

Inmet's hedging program contributed $6 million to operating cash flows in 2000. All hedging transactions are under margin free facilities and, as at December 31, 2000 the unrealized hedging gain was $10 million. Credit risk, with respect to the commodity contracts outlined above, arises from the potential failure of counterparties to settle on contracts that are favourable to Inmet. Inmet manages this risk by dealing with highly-rated counterparties. In addition, earnings at Troilus are also highly sensitive to changes in the fuel price. For every one cent change in the fuel price, operating costs are affected by approximately $0.1 million.

Operational risk

The mining industry is subject to many risks which can have a material impact on costs and productivity, including accidents, labour disputes, safety issues, extreme weather conditions, earthquakes, unexpected mining conditions, disparities between reserve estimates and actual production as a result of dilution or estimation errors, and changing regulatory requirements. While Inmet purchases insurance to protect against general and industry specific risks, there can be no assurance that this insurance will be sufficient to cover every circumstance.

Political risk

Inmet operates internationally in developing countries such as Papua New Guinea and Turkey. Inmet does not regard the developing nature of these countries as a significant deterrent to operation in these countries. Nevertheless, Inmet closely reviews political, social and economic conditions, particularly in less developed countries, before investments are made and adopts strategies accordingly. In order to mitigate political risk, Inmet has from time to time entered into joint venture arrangements with local partners and international financing agencies. Inmet also maintains political risk insurance.

Environmental risk

Inmet's operations are subject to environmental laws and regulations both in Canada and in other countries in which it does business, primarily the United States, Turkey and Papua New Guinea. The potential for changes in laws and regulations creates significant measurement uncertainty with regard to the actual environmental and reclamation costs that Inmet will incur in the future. Environmental and regulatory review has become a long, complex and uncertain process which can delay the opening of a new mine or prolong decommissioning activities at closed mines. Regulatory developments or changes in the assessment of conditions at closed sites can cause substantial variances, positive or negative, from prior estimates of reclamation liabilities.

At the end of 1999, Inmet capped, through insurance, its reclamation project costs at Copper Range, Winston Lake and Norbec. The insurance policy requires the insurer to pay for reclamation expenditures in respect of known conditions, in excess of specific limits at each of the insured sites. The insurer covers overruns above the site limits, to a maximum of $30 million.

There is significant risk and uncertainty associated with the environmental impact of the operation of the Ok Tedi mine. Mine waste deposited in the Ok Tedi and Fly River systems have resulted in a build-up of the river bed downstream of the mine which increases the frequency of flooding, which harms sensitive vegetation. In addition to these physical impacts, the mine-derived sediments contain copper and sulphide minerals which may give rise to acid rock drainage ("ARD"). ARD may not occur if the sulphide-bearing materials are in contact with sufficient neutralizing material. Studies are ongoing to characterize the nature of the mine-derived sediments, to predict the risk of ARD conditions occurring at various places in the river system, including the dredge embankments in the lower Ok Tedi River, and to evaluate the potential ecological impact if ARD does occur. Various mitigating measures, including changes to the mine plan to include the mining of additional limestone, are also under evaluation.

Ok Tedi and BHP, the majority shareholder, are co-defendants in legal proceedings commenced in Australia alleging breach of a 1996 settlement agreement relating to earlier claims for damages arising from the environmental impacts of the mine. Ok Tedi is advised that it has good defenses to this action. Inmet is not a party to these proceedings. Inmet is an 18 per cent shareholder of Ok Tedi, a limited liability corporation incorporated under the laws of Papua New Guinea, and enjoys the legal protections afforded to shareholders under those laws. If Ok Tedi calls for funds from shareholders, the legal arrangements governing the Ok Tedi project provide that shareholders may decline to fund and suffer dilution.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Inmet Mining Corporation were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances. The significant accounting policies of the Corporation are summarized on pages 28 and 29.

Management has established systems of internal control over the financial reporting process. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements.

KPMG LLP, the Corporation's independent auditors, have been appointed by the shareholders to conduct an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and to express an opinion as to whether management's consolidated financial statements present fairly the Corporation's consolidated financial position and operating results in accordance with Canadian generally accepted accounting principles. KPMG LLP's report follows.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. The Board of Directors is assisted in these responsibilities by its Audit Committee, whose members are not officers of the Corporation. The Audit Committee meets periodically with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Richard A. Ross
President and
Chief Executive Officer

Jo-Anne Sayers
Vice-President, Finance and
Chief Financial Officer

February 6, 2001

AUDITOR'S REPORT

To the Shareholders of Inmet Mining Corporation:

We have audited the consolidated balance sheets of Inmet Mining Corporation as at December 31, 2000 and 1999 and the consolidated statements of operations, deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and 1999 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
February 6, 2001

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Inmet Mining Corporation (the "Corporation") are expressed in thousands of Canadian dollars, except for earnings per share, and have been prepared in accordance with Canadian generally accepted accounting principles.

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation, its subsidiaries and the Corporation's proportionate interest in Çayeli Bakir Isletmeleri A.S. ("Çayeli"), in which it has joint control.

Basis of segmented disclosure

The Corporation's operations are managed independently of each other primarily because of their geographical diversity. Each operation retains its own management team and is responsible for compiling its own financial information. The segmented financial statements reflect this structure.

The Corporation's operating interests include Çayeli, Troilus and Ok Tedi Mining Limited ("Ok Tedi"). Çayeli is a 49 per cent owned joint venture, located in Turkey, which produces copper and zinc concentrates. Troilus is a wholly-owned gold mine, located in Quebec. The Corporation owns an 18 per cent share in Ok Tedi, which owns a copper mine located in Papua New Guinea.

Cash and short-term investments

Cash and short-term investments consist of balances with banks and investments in money market instruments. These investments are carried at cost, which approximates market. Cash and cash equivalents consist of investments with maturities of less than 90 days at the date of purchase. Short-term investments consist of investments with maturities between 90 days and one year at the date of purchase.

Investments

Effective April 1, 2000 the Corporation changed its method of accounting for Ok Tedi to the cost method. Under this method, earnings will only be recorded when distributed as dividends. Prior to April 1, 2000, the Corporation accounted for its investment in Ok Tedi by the equity method. Under this method the Corporation included in the consolidated statements of operations its share of the net earnings or losses of Ok Tedi.

Inventories

Inventories of stockpiled ore are valued at the lower of cost and net realizable value. Inventories of concentrates produced for sale by the Corporation's mining operations are valued at estimated net realizable value. Materials and supplies are valued at the lower of average cost and replacement cost.

Capital assets

Exploration costs are charged to earnings in the year in which they are incurred. When it is determined that a property contains economically recoverable reserves and development is reasonably foreseeable, further development and exploration expenditures, including interest and financing costs on funds borrowed, are capitalized. When production commences, these costs, together with property acquisition costs, are reclassified to property and amortized on the unit-of-production method based on the economic life of the related deposit.

Plant and equipment are recorded at cost and amortized based on the straight-line method over their estimated useful lives, which range from five to eight years.

Mining costs associated with waste rock removal at Troilus are capitalized when the actual strip ratio exceeds the average life-of-mine strip ratio, and amortized when the actual strip ratio is below the expected average life-of-mine ratio. The strip ratio is calculated as estimated tonnes of waste material to be mined divided by estimated tonnes of ore to be mined.

The Corporation reviews and evaluates the recoverability of capital assets periodically based on estimated future undiscounted net cash flows from each property. Net cash flows include estimates on recoverable reserves, future metal prices and future operating, capital and reclamation costs. If estimated future net cash flows are less than the carrying value of the property the difference is charged against income. In addition, the Corporation considers other factors, including the ability to obtain sufficient financing for the project or the ability to recover its costs through a disposition of the property. Estimates of future cash flows are subject to risks and uncertainties. It is possible that changes could occur which may affect the recoverability of capital assets.

Reclamation and closure costs

Reclamation and closure costs are provided for over the estimated lives of the mines to which they relate. The resulting obligation is reduced as reclamation and closure expenditures are made. Provisions with respect to long-term water treatment obligations are provided for on a discounted basis. The annual interest cost on the discounted obligation is included in interest expense.

Because of uncertainties concerning environmental remediation, the ultimate cost to the Corporation of future site restoration could differ from the amounts provided. The estimate of the total liability of future site restoration costs is subject to change based on amendments to laws and regulations and as new information concerning the Corporation's operations becomes available. Future changes, if any, in requirements, laws, regulations and the Corporation's operations may be significant and would be recognized prospectively, as a change in estimate, when applicable. The Corporation is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

Employee future benefits

The Corporation provides retirement benefits for substantially all of its employees under a number of defined benefit and defined contribution plans. Effective January 1, 2000, the Corporation prospectively applied the new Recommendations of the Canadian Institute of Chartered Accountants for the accounting for pension plans. The defined benefit plans' pension costs are actuarially determined each year using the accrued benefit method. Pension expense includes current service costs and the amortization of the transitional asset on a straight-line basis over the expected average remaining service lives of the employee groups. In 1999, pension expense also included amortization of past service costs and experience gains or losses on a straight-line basis over the expected average remaining service lives of the employee groups. Any gains or losses on plan settlements or curtailments are recognized in income in the period incurred. Any differences arising between the cumulative amounts expensed and the funding contributions are reflected in the balance sheet as either a liability or an asset.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year end exchange rates, whereas non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rates in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of operations.

The assets and liabilities of Çayeli are translated into Canadian dollars at rates of exchange in effect at year end. The revenues and expenses of this self-sustaining operation are translated at the rate of exchange in effect at the dates on which they are recognized in income during the year. Foreign currency translation adjustments are deferred and included as a separate component of shareholders' equity.

Financial instruments

The Corporation enters into hedging transactions, from time to time, in order to reduce exposure to changing prices on the sale of future production. Hedging transactions include forward sales and options. Contracted prices on forward sales are recognized in sales as designated production is delivered to meet the commitment. Option premiums are amortized to income in relation to the production being hedged.

Income taxes

Income taxes are calculated using the liability method of tax accounting. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Use of estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Comparative amounts

Certain comparative amounts have been reclassified to conform to the 2000 presentation.

CONSOLIDATED BALANCE SHEETS

As at December 31

:: *(thousands of dollars)*	2000	1999
ASSETS		
Current assets:		
Cash and short-term investments	$77,259	$93,458
Accounts receivable	40,650	40,717
Inventories	11,110	13,764
Future income tax asset (note 3)	1,058	5,036
	130,077	152,975
Investments (note 1)	80,812	81,381
Capital assets (note 2)	85,787	72,982
Future income tax asset (note 3)	8,536	4,785
Other assets	12,026	13,750
	$317,238	$325,873
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$26,047	$18,982
Current portion of long-term debt (note 4)	4,799	8,541
Reclamation liabilities (note 5)	4,700	13,500
	35,546	41,023
Long-term debt (note 4)	21,700	26,768
Reclamation liabilities (note 5)	52,018	55,118
Other liabilities (note 6)	9,045	9,451
Commitments (note 8)		
SHAREHOLDERS' EQUITY		
Convertible debentures (note 9)	33,959	30,782
Share capital (note 10)	222,568	237,641
Contributed surplus	62,368	52,065
Deficit	(121,492)	(128,080)
Foreign currency translation account	1,526	1,105
	198,929	193,513
	$317,238	$325,873

(See accompanying notes)

On behalf of the Board:

Richard A. Ross
Director

Paul E. Gagné
Director

SEGMENTED BALANCE SHEETS

As at December 31, 2000

:: *(thousands of dollars)*	OPERATIONS AND DEVELOPMENT ÇAYELI (Turkey)	TROILUS (Canada)	OTHER[1]	TOTAL	CORPORATE	TOTAL
ASSETS						
Cash and short-term investments	**$17,880**	**$ –**	**$321**	**$18,201**	**$59,058**	**$77,259**
Other current assets	**14,190**	**29,316**	**143**	**43,649**	**9,169**	**52,818**
Investments	–	–	–	–	**80,812**	**80,812**
Capital assets	**14,744**	**29,114**	**41,526**	**85,384**	**403**	**85,787**
Other assets	**6,568**	**37**	–	**6,605**	**13,957**	**20,562**
TOTAL ASSETS	**$53,382**	**$58,467**	**$41,990**	**$153,839**	**$163,399**	**$317,238**
LIABILITIES						
Current liabilities	**$11,023**	**$9,829**	**$4,700**	**$25,552**	**$9,994**	**$35,546**
Long-term debt	**7,715**	–	–	**7,715**	**13,985**	**21,700**
Reclamation and other liabilities	**715**	**4,700**	**52,018**	**57,433**	**3,630**	**61,063**
TOTAL LIABILITIES	**$19,453**	**$14,529**	**$56,718**	**$90,700**	**$27,609**	**$118,309**

As at December 31, 1999

:: *(thousands of dollars)*	OPERATIONS AND DEVELOPMENT ÇAYELI (Turkey)	TROILUS (Canada)	OTHER[1]	TOTAL	CORPORATE	TOTAL
ASSETS						
Cash and short-term investments	$8,488	$ –	$841	$9,329	$84,129	$93,458
Other current assets	13,288	35,900	803	49,991	9,526	59,517
Investments	–	–	–	–	81,381	81,381
Capital assets	14,022	17,096	41,526	72,644	338	72,982
Other assets	5,694	37	–	5,731	12,804	18,535
TOTAL ASSETS	$41,492	$53,033	$43,170	$137,695	$188,178	$325,873
LIABILITIES						
Current liabilities	$9,949	$10,796	$13,500	$34,245	$6,778	$41,023
Long-term debt	11,033	–	–	11,033	15,735	26,768
Reclamation and other liabilities	524	4,700	55,118	60,342	4,227	64,569
TOTAL LIABILITIES	$21,506	$15,496	$68,618	$105,620	$26,740	$132,360

[1] "Other" includes shut down operations and development properties.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31

:: *(thousands of dollars except per share amounts)*	**2000**	1999
Sales	**$106,548**	$116,602
Cost of sales	**(74,753)**	(84,297)
Amortization	**(5,333)**	(4,504)
Share of earnings (losses) in associated companies (note 1)	**(263)**	3,184
	26,199	30,985
Corporate development and exploration	**(9,635)**	(6,467)
General and administration	**(6,919)**	(6,215)
Investment and other income (note 11)	**10,281**	8,166
Interest expense	**(3,795)**	(4,015)
Capital tax expense	**(856)**	(812)
Income tax expense (note 3)	**(5,510)**	(2,190)
Reduction in provision for reclamation costs (note 5)	**–**	20,000
Net income	**$9,765**	$39,452
Net income per common share (note 10)	**$0.17**	$0.90

(See accompanying notes)

SEGMENTED STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2000

:: *(thousands of dollars)*	OPERATIONS ÇAYELI (Turkey)	TROILUS (Canada)	OTHER[1]	TOTAL	CORPORATE	TOTAL
Sales	**$43,589**	**$62,959**	**$ –**	**$106,548**	**$ –**	**$106,548**
Cost of sales	**(21,489)**	**(53,264)**	**–**	**(74,753)**	**–**	**(74,753)**
Amortization	**(2,469)**	**(2,864)**	**–**	**(5,333)**	**–**	**(5,333)**
Share of loss in associated company	**–**	**–**	**–**	**–**	**(263)**	**(263)**
	19,631	**6,831**	**–**	**26,462**	**(263)**	**26,199**
Corporate development and exploration	**–**	**–**	**–**	**–**	**(9,635)**	**(9,635)**
General and administration	**–**	**–**	**–**	**–**	**(6,919)**	**(6,919)**
Investment and other income	**802**	**–**	**–**	**802**	**9,479**	**10,281**
Interest expense	**(1,198)**	**–**	**(973)**	**(2,171)**	**(1,624)**	**(3,795)**
Capital tax expense	**–**	**–**	**–**	**–**	**(856)**	**(856)**
Income tax expense (recovery)	**(6,636)**	**–**	**–**	**(6,636)**	**1,126**	**(5,510)**
Net income (loss)	**$12,599**	**$6,831**	**$(973)**	**$18,457**	**$(8,692)**	**$9,765**

For the Year Ended December 31, 1999

:: *(thousands of dollars)*	OPERATIONS ÇAYELI (Turkey)	TROILUS (Canada)	OTHER[1]	TOTAL	CORPORATE	TOTAL
Sales	$43,731	$72,871	$ –	$116,602	$ –	$116,602
Cost of sales	(21,646)	(62,154)	(497)	(84,297)	–	(84,297)
Amortization	(1,996)	(2,508)	–	(4,504)	–	(4,504)
Share of earnings in associated companies	–	–	–	–	3,184	3,184
	20,089	8,209	(497)	27,801	3,184	30,985
Corporate development and exploration	–	–	–	–	(6,467)	(6,467)
General and administration	–	–	–	–	(6,215)	(6,215)
Investment and other income	–	–	–	–	8,166	8,166
Interest expense	(1,808)	–	(226)	(2,034)	(1,981)	(4,015)
Capital tax expense	–	–	–	–	(812)	(812)
Income tax expense	(398)	–	–	(398)	(1,792)	(2,190)
Reduction in provision for reclamation costs	–	–	20,000	20,000	–	20,000
Net income (loss)	$17,883	$8,209	$19,277	$45,369	$(5,917)	$39,452

[1] In 2000, "other" includes shut down operations and in 1999 "other" includes standby costs at Ovaçik and the reduction of reclamation costs.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31 :: *(thousands of dollars)*	2000	1999
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income	**$9,765**	$39,452
Add (deduct) items not affecting cash:		
Gains on sale of investments	**–**	(5,504)
Share of (earnings) losses in associated companies	**263**	(3,184)
Amortization	**5,333**	4,504
Future income tax	**520**	–
Reduction in provision for reclamation costs	**–**	(20,000)
Other	**(1,335)**	1,820
Distributions from associated companies	**–**	10,836
Net change in non-cash working capital	**12,188**	1,568
	26,734	29,492
Reclamation and closure costs, net of related asset sales	**(12,225)**	(26,431)
	14,509	3,061
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Capital assets	**(18,773)**	(14,654)
Dispositions (note 12)	**345**	80,878
Short-term investments	**52**	55,609
Restricted cash	**–**	9,778
	(18,376)	131,611
CASH USED IN FINANCING ACTIVITIES		
Share buyback	**(3,938)**	–
Long-term debt repayment	**(8,342)**	(33,740)
Repayment of debentures (note 9)	**–**	(125,000)
	(12,280)	(158,740)
Decrease in cash and cash equivalents	**(16,147)**	(24,068)
Cash and cash equivalents:		
Beginning of year	**48,652**	72,720
End of year	**32,505**	48,652
Short-term investments	**44,754**	44,806
Cash and short-term investments	**$77,259**	$93,458

(See accompanying notes)

SEGMENTED STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2000

:: *(thousands of dollars)*	OPERATIONS ÇAYELI (Turkey)	TROILUS (Canada)	OTHER(1)	TOTAL	CORPORATE	TOTAL
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Before net change in non-cash working capital	$16,599	$9,717	$(13,198)	$13,118	$(10,797)	$2,321
Net change in non-cash working capital	3,903	5,616	–	9,519	2,669	12,188
	20,502	15,333	(13,198)	22,637	(8,128)	14,509
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES						
Capital assets	(3,566)	(14,999)	–	(18,565)	(208)	(18,773)
Dispositions	–	–	–	–	345	345
Short-term investments	–	–	–	–	52	52
	(3,566)	(14,999)	–	(18,565)	189	(18,376)
CASH USED IN FINANCING ACTIVITIES	(6,744)	–	–	(6,744)	(5,536)	(12,280)
Intercompany/divisional funding (distributions)	(800)	(334)	12,678	11,544	(11,544)	–
Increase (decrease) in cash and cash equivalents	9,392	–	(520)	8,872	(25,019)	(16,147)
Cash and cash equivalents:						
Beginning of year	8,488	–	841	9,329	39,323	48,652
End of year	17,880	–	321	18,201	14,304	32,505
Short-term investments	–	–	–	–	44,754	44,754
Cash and short-term investments	$17,880	$ –	$321	$18,201	$59,058	$77,259

For the Year Ended December 31, 1999

:: *(thousands of dollars)*	OPERATIONS ÇAYELI (Turkey)	TROILUS (Canada)	OTHER(1)	TOTAL	CORPORATE	TOTAL
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Before net change in non-cash working capital	$20,031	$10,717	$(27,154)	$3,594	$(2,101)	$1,493
Net change in non-cash working capital	(2,565)	(201)	75	(2,691)	4,259	1,568
	17,466	10,516	(27,079)	903	2,158	3,061
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES						
Capital assets and restricted cash	(4,222)	(10,369)	–	(14,591)	9,715	(4,876)
Dispositions	–	–	–	–	80,878	80,878
Short-term investments	–	–	–	–	55,609	55,609
	(4,222)	(10,369)	–	(14,591)	146,202	131,611
CASH USED IN FINANCING ACTIVITIES	(10,537)	–	(19,556)	(30,093)	(128,647)	(158,740)
Intercompany/divisional funding (distributions)	4,908	(147)	45,653	50,414	(50,414)	–
Increase (decrease) in cash and cash equivalents	7,615	–	(982)	6,633	(30,701)	(24,068)
Cash and cash equivalents:						
Beginning of year	873	–	1,823	2,696	70,024	72,720
End of year	8,488	–	841	9,329	39,323	48,652
Short-term investments	–	–	–	–	44,806	44,806
Cash and short-term investments	$8,488	$ –	$841	$9,329	$84,129	$93,458

(1) "Other" includes shut down operations and in 1999 also includes Ovaçik.

CONSOLIDATED STATEMENTS OF DEFICIT

For the Years Ended December 31

:: *(thousands of dollars)*	**2000**	1999
Deficit, beginning of year	**$(128,080)**	$(158,970)
Net income	**9,765**	39,452
Accretion on equity component of convertible debentures (note 9)	**(3,177)**	(4,926)
Excess of redemption costs over carrying value of convertible debentures repaid	**–**	(3,636)
Deficit, end of year	**$(121,492)**	$(128,080)

(See accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Investments

At December 31, the carrying value of the Corporation's investments was as follows:

:: *(thousands of dollars)*	**2000**	1999
Ok Tedi	**$79,098**	$ 79,299
Other	**1,714**	2,082
	$80,812	$81,381

As at December 31, 2000 and 1999, the Corporation held an 18 per cent ordinary share interest in Ok Tedi. On April 1, 2000, the Corporation changed its method of accounting for its investment in Ok Tedi from the equity to the cost method. Effective April 1, 2000 earnings are recorded only when distributed as dividends. No dividends were received in 2000 and a dividend of $10.5 million was received in 1999.

In 2000, the Corporation recorded a loss of $0.2 million from Ok Tedi compared to equity earnings of $3.0 million in 1999. In 2000 the amortization of the purchase price discrepancy included in equity earnings was $0.8 million (1999 – $3.3 million).

The owners of Ok Tedi, the Independent State of Papua New Guinea (the "State"), BHP Limited ("BHP") and the Corporation, govern their relationship as shareholders of Ok Tedi under a shareholders' agreement. In 1994, in consideration of the waiver of the Corporation's obligation under the shareholders' agreement to sell its interest in Ok Tedi on a change of control of the Corporation, the Corporation agreed that BHP and the State may purchase from the Corporation its entire interest in Ok Tedi at fair value if any third party acquires control of the Corporation.

2. Capital Assets

At December 31, capital assets consisted of the following:

2000

:: *(thousands of dollars)*	Cost	Accumulated Amortization	Net Book Value
Plant and equipment	**$44,792**	**$12,497**	**$32,295**
Capitalized stripping	**11,966**	**–**	**11,966**
Deferred development and exploration:			
Izok	**24,801**	**–**	**24,801**
Petaquilla	**16,725**	**–**	**16,725**
	$98,284	**$12,497**	**$85,787**

1999

:: *(thousands of dollars)*	Cost	Accumulated Amortization	Net Book Value
Plant and equipment	$38,516	$7,060	$31,456
Deferred development and exploration:			
Izok	24,801	–	24,801
Petaquilla	16,725	–	16,725
	$80,042	$7,060	$72,982

3. Income Taxes

A reconciliation between taxes calculated by applying the statutory tax rate to pre-tax income is as follows:

:: (thousands of dollars)	**2000**	1999
Income before income taxes	**$15,275**	$41,642
Canadian combined federal and provincial income tax rate	**39%**	39%
Expected income taxes	**$5,957**	$16,240
Tax effect of:		
Recognition of losses of previous years	**(4,824)**	(13,419)
Foreign taxes at different rates	**2,360**	–
Additional deductions for tax	**(1,789)**	(4,510)
Resource loss	**1,383**	915
Non-deductible expenses	**7**	127
Losses of foreign subsidiaries	**2,034**	647
	5,128	0
Large corporation and withholding taxes	**382**	867
Other	**–**	1,323
Income tax expense	**$ 5,510**	$ 2,190

In 2000, income tax expense includes current taxes of $5.0 million (1999 – $2.2 million) and future taxes of $0.5 million (1999 – nil). Also in 2000, the Corporation paid tax installments of $1.0 million and received refunds from overpayments of 1999 tax installments of $0.6 million.

At December 31, 2000, the Corporation had capital loss carry-forwards of approximately $260 million and approximately $46 million (1999 – $13 million) of Canadian non-capital loss carry-forwards expiring between the years 2002 and 2007. In addition, the Corporation had approximately U.S.$164 million (1999 – U.S.$155 million) of U.S. tax loss carry-forwards, expiring between the years 2001 and 2014. The U.S. tax loss carry-forwards relate to subsidiaries, the operations of which have been suspended. It is unlikely that the Corporation will be able to utilize these losses and therefore a full valuation allowance has been provided against this asset.

As at December 31, the significant components within the Corporation's future tax asset, were as follows:

:: (thousands of dollars)	**2000**	1999
Non-capital losses	**$101,592**	$82,328
Capital losses	**88,724**	–
Capital assets	**75,553**	76,083
Canadian resource deductions	**43,197**	47,153
Reclamation liabilities	**21,862**	25,338
Other	**1,845**	863
	332,773	231,765
Valuation allowance	**(323,179)**	(221,944)
Future income tax asset	**9,594**	9,821
Less current portion	**1,058**	5,036
	$8,536	$4,785

4. Debt

At December 31, debt consisted of the following:

:: (thousands of dollars)	Note	**2000**	1999
Çayeli project financing		**$10,801**	$18,013
Debt component of convertible debentures	9	**15,698**	17,296
		26,499	35,309
Less current portion:			
Çayeli project financing		**3,086**	6,980
Debt component of convertible debentures		**1,713**	1,561
		4,799	8,541
		$21,700	$26,768

At December 31, 2000, the Corporation's share of Çayeli's project financing was $10.8 million or U.S.$7.2 million (1999 – $18.0 million or U.S.$12.5 million). The facility bears interest at the London Interbank Offered Rate plus 2.25 per cent per annum and has a term to 2004.

The Corporation's share of Çayeli's annual principal payments, as expressed in thousands of Canadian dollars, is as follows:

2001	$3,086
2002	3,086
2003	3,086
2004	1,543
	$10,801

The loan is secured by a first ranking mortgage over substantially all of the assets of Çayeli and a pledge of the shares of Çayeli. The Corporation has severally guaranteed 52.1 per cent of the total amount outstanding.

5. Reclamation Liabilities

Reclamation liabilities, including the short-term portion, were $56.7 million at December 31, 2000 (1999 – $68.6 million). The Corporation reduced its provision for reclamation liabilities by $20.0 million in 1999. In addition, in 1999 the Corporation obtained environmental insurance against overruns in reclamation costs at certain closed sites. The insurance policy requires the insurance company to pay for reclamation expenditures in respect of known conditions, in excess of specific limits at each of the insured sites. Overruns above the site limits are covered by the insurance, to a maximum of $30 million.

6. Other Liabilities

At December 31, other liabilities consisted of the following:

:: *(thousands of dollars)*	**2000**	1999
Government assistance obligation	**$4,700**	$4,700
Long-term compensation obligations	**2,953**	3,551
Other	**1,392**	1,200
	$9,045	$9,451

During the construction of the Troilus project, $4.7 million in government assistance was received. This is repayable over a term commencing January 1, 2002 and ending December 31, 2006, in amounts equal to $0.30 per tonne of ore milled from the Troilus operation. In the event that certain conditions with respect to permanent infrastructure usage are met, this amount may be forgiven.

7. Pension Plans

The Corporation maintains both defined benefit and defined contribution pension plans. Pension payments made to retiree's in the defined benefit plans are computed based on various factors, including years of service and highest average remuneration in a specified period or a stated amount for each year of service as specified in the plan agreements.

Benefit obligations are updated regularly through actuarial valuations. The following significant actuarial assumptions were used to determine the periodic pension expense and accrued benefit obligations:

	2000	1999
Expected long-term rate of return on plan assets	**8%**	8% & 9%
Discount rate on accrued pension obligations	**7%**	8%
Rate of compensation increase	**4%**	4%

The components of pension expense for 2000 and 1999 are as follows:

:: *(thousands of dollars)*	**2000**	1999
Current service cost – defined benefit	**$172**	$166
Current service cost – defined contribution	**969**	470
Interest cost on projected benefit obligations	**2,653**	2,749
Expected return on pension fund assets	**(3,505)**	(4,152)
Net amortization, deferrals and other	**(125)**	128
Net pension expense (income)	**$164**	$(639)

At December 31, information on the Corporation's defined benefit pension plans was as follows:

:: *(thousands of dollars)*	**2000**	1999
PLAN ASSETS		
Market value of plan assets, beginning of year	**$48,365**	$52,070
Actual return on plan assets	**3,153**	2,119
Employer contributions	**253**	74
Surplus applied to defined contribution plan	**(1,024)**	(1,017)
Benefits paid	**(3,869)**	(3,467)
Foreign exchange	**863**	(1,414)
Market value of plan assets, end of year	**47,741**	48,365
ACCRUED BENEFIT OBLIGATION		
Accrued benefit obligation, beginning of year	**34,900**	36,964
Current service cost	**172**	166
Interest cost	**2,653**	2,749
Actuarial loss (gain)	**2,783**	(350)
Benefits paid	**(3,869)**	(3,467)
Foreign exchange	**739**	(1,162)
Accrued benefit obligation, end of year	**37,378**	34,900
PLAN ASSETS IN EXCESS OF ACCRUED BENEFIT OBLIGATIONS	**10,363**	13,465
Unamortized transitional asset	**(1,572)**	(4,700)
Unamortized net actuarial gain	**(2,697)**	(3,277)
Other	**167**	610
PENSION ASSET	**$6,261**	$6,098

8. Commitments

The Corporation maintains letters of credit and bonds amounting to $20 million as at December 31, 2000. These instruments provide financial assurance with respect to both performance and financial obligations of the Corporation relating to environmental and other matters. The liabilities to which these instruments relate have been accrued in reclamation and other liabilities (notes 5 and 6). The Corporation's reimbursement obligation in respect of letters of credit totalling $8 million is secured by an assignment of receivables relating to the Troilus operation. The Corporation's obligations in respect of remaining letters of credit and the bonds are unsecured.

9. Convertible Debentures

The convertible debentures have been segregated into their debt and equity components as at December 31, as follows:

:: *(thousands of dollars)*	Note	**2000**	1999
Debt component	4	**$15,698**	$17,296
Equity component, net of unamortized issue costs of $1.3 million (1999 – $1.4 million)	9(a)	**$33,959**	$30,782

The financial liability component representing the present value of future interest payments is included in debt. The remaining component representing the value ascribed to both the holders' option to convert the principal balance into common shares and the Corporation's right to pay the principal amount of the debenture in common shares is classified in shareholders' equity. These components have been measured at their respective fair values at the date the convertible debentures were originally issued or acquired.

(a) The floating rate series convertible subordinated debentures which mature on September 30, 2007 are direct unsecured obligations of the Corporation, are subordinated to all other indebtedness of the Corporation and have a face value of $64 million. The sum of the liability and equity components, net of issue costs, is $13.2 million (1999 – $14.6 million) less than the face value. This amount, which represents the unamortized difference between the market value and the face value of the debentures when the Corporation acquired the issuer of the debentures, is accreted as a charge to equity over the remaining term of the instrument, of which $1.4 million (1999 – $1.2 million) was charged in 2000. Interest is paid at a rate per annum equal to the greater of (i) five per cent and (ii) one per cent plus the percentage that two times the dividends paid on the common shares in the six months ended on the date six months prior to the interest payment date is of the conversion price.

The debentures are convertible into common shares of the Corporation at the holder's option any time before the earlier of September 29, 2007 and the last business day before the date specified for redemption, at a conversion price of $21.25 for each common share. The Corporation may adjust the conversion price to $23.85 provided that the Corporation also fixes the interest rate at six per cent per annum. The debentures are currently redeemable by the Corporation at par.

At the option of the Corporation, it may elect to pay the principal amount of the debentures outstanding at maturity in common shares of the Corporation valued at their average closing market price for the 30 trading days prior to maturity.

Interest expense on the liability component is recorded at an effective interest rate of 9.5 per cent and was $1.6 million in 2000 (1999 – $1.7 million). The equity component of the convertible debenture is being accreted to the maturity value at the same effective interest rate through periodic charges to retained earnings. The accretion on the equity component was $1.8 million (1999 – $1.5 million). The Corporation paid interest of $3.2 million in both 2000 and 1999. In certain limited circumstances, the Corporation may elect to pay interest in the form of common shares of the Corporation.

(b) The Corporation repaid its 7.5 per cent series convertible subordinated debentures in cash on April 5, 1999 at the face value of $125 million. The Corporation paid interest of $6.5 million in 1999. Interest expense was $0.2 million in 1999 and the accretion charged to retained earnings was $2.2 million.

10. Share Capital

Authorized:

Unlimited number of preferred shares.

Unlimited number of subordinate voting participating shares.

Unlimited number of common shares.

Issued:

2000

:: *(thousands)*	Note	Common Shares	Amount
Balance, beginning of year		38,337	$237,641
Common shares repurchased	10(a)	(1,935)	(11,831)
Expiry of warrants	10(b)	–	(3,242)
Balance, end of year		36,402	$222,568

1999

:: *(thousands)*	Common Shares	Amount
Balance, beginning and end of year	38,337	$237,641

(a) In 2000, pursuant to a normal course issuer bid, the Corporation repurchased 1,935,000 of its common shares at an average cost of $2.04 per share. The common shares were cancelled upon repurchase. The Corporation's share capital was reduced by its net book value of $6.11 per share or $11.8 million. The difference between the purchase price and the net book value, $7.9 million, was credited to contributed surplus.

(b) On September 5, 2000, 6.5 million common share purchase warrants issued in September 1998 expired, unexercised. The $3.2 million cost of the warrants was credited to contributed surplus, net of related taxes.

(c) Under its stock option plans, the Corporation may grant non-assignable options to purchase common shares to directors, officers and certain key executives of the Corporation and its affiliates. Any such option will have an exercise price not less than the closing price on the trading day immediately preceding the date of grant. Under the treasury stock option plan, the options vest over a four year period from the date of the grant, are exercisable over a period of not more than 10 years, and shares in respect of which options are exercised are issued from treasury. Under the supplementary stock option plan, established in 2000, the options vest over a four year period from the date of the grant, are exercisable over a period of not more than six years, and shares in respect of which options are exercised are acquired in the market by a trustee on behalf of the Corporation.

Both stock option plans provide that stock appreciation rights ("SARs") may be granted in connection with options. SARs may be exercised in lieu of an option and give the holder of an option the right to acquire cash or common shares of the Corporation equal in value to the difference between the exercise price of an option and the market price of the common shares subject to an option on the date on which the SARs are exercised.

No compensation costs are recognized when the options are issued.

Changes to stock options outstanding for the years ended December 31 are as follows:

Treasury Plan

2000	**Options (in thousands)**	**Weighted Average Price**
Balance, beginning of year	**1,460**	**$4.47**
Options granted	**919**	**$2.34**
Balance, end of year	**2,379**	**$3.64**
Available for grant at December 31	**1,421**	

1999	Options (in thousands)	Weighted Average Price
Balance, beginning of year	3,144	$7.96
Options granted	340	$2.98
Options terminated	(2,024)	$9.64
Balance, end of year	1,460	$4.47
Available for grant at December 31	540	

Supplementary Plan

2000	**Options (in thousands)**	**Weighted Average Price**
Balance, beginning of year	–	–
Options granted	**546**	**$1.75**
Balance, end of year	**546**	**$1.75**

At December 31, 2000, the following stock options were outstanding and exercisable:

Treasury Plan

Outstanding (in thousands)	Exercisable (in thousands)	Exercise Price	Remaining Years Outstanding
890	890	$5.35	7.1
230	115	$3.25	7.8
320	80	$3.00	8.3
20	5	$2.60	8.9
540	–	$2.75	9.1
379	–	$1.75	9.9
2,379	**1,090**	**$3.64**	

Supplementary Plan

Outstanding (in thousands)	Exercisable (in thousands)	Exercise Price	Remaining Years Outstanding
546	**–**	**$1.75**	**5.9**

(d) At December 31, 2000, the Corporation has outstanding share purchase loans receivable, in the amount of $1.5 million (1999 – $1.5 million), from certain current and former officers and directors, included in other assets.

(e) The net income per share is calculated using the weighted average number of common shares outstanding during the year of 37,825,214 (1999 – 38,337,358) adjusted for the accretion on the equity component of convertible debentures.

Fully diluted net income per share is calculated using an adjusted number of shares outstanding during the year and an adjusted net income applicable to common shares, which reflect the potential exercise of common share stock options. In 2000, the fully diluted net income per share was $0.18 (1999 – $0.76).

In addition, supplementary fully diluted net income per share has been calculated to reflect the potential conversion of convertible debentures through the issuance of common shares at market price on December 31, 2000. In 2000, the supplementary fully diluted net income per share was $0.16 (1999 – $0.56).

11. Investment and Other Income

For the years ended December 31, investment and other income is summarized as follows:

:: (thousands of dollars)	Note	**2000**	1999
Interest and other income		**$4,426**	$4,991
Foreign exchange gains (losses)		**155**	(1,977)
Proceeds from sale of Brixlegg		**5,700**	–
Gain on sale of NA	12(a)	**–**	3,596
Loss on sale of Ovaçik and Perama Hill	12(b)	**–**	(3,200)
Gain on sale of Navachab	12(c)	**–**	4,756
		$10,281	$8,166

In 2000, the Corporation received $5.7 million from the 1995 sale of its interest in a secondary copper smelter, Montanwerke Brixlegg GmbH ("Brixlegg"). As the carrying value of these receivables was nil, the amount received was included in earnings.

12. Dispositions

During 2000 and 1999 the following dispositions were made. The proceeds in the following table reflect the amounts disclosed as dispositions in the consolidated statements of cash flows:

:: *(thousands of dollars)*	Note	**2000**	1999
NA	12(a)	**$ –**	$51,907
Ovaçik and Perama Hill	12(b)	–	23,975
Navachab	12(c)	–	5,294
Other		**345**	(298)
		$345	$80,878

(a) NA – The Corporation's 10 per cent shareholding in Norddeutsche Affinerie ("NA") was sold in 1999 for net proceeds of $51.9 million. An after tax gain on sale of $3.6 million was recorded.

(b) Ovaçik and Perama Hill – In 1999, the Corporation sold its one-third interest in Eurogold Madencilik A.S., which owns Ovaçik, and its 22.2 per cent effective interest in Thracean Gold Mining S.A., which owns Perama Hill. Net proceeds of $24.0 million were received and an after tax loss of $3.2 million recorded. Future payments of approximately $5.0 million and $12.0 million are payable to the Corporation on the commencement of commercial production at Ovaçik and the commencement of construction at Perama Hill, respectively. The recorded loss excludes the Perama Hill contingent payment.

(c) Navachab – In 1999, the Corporation sold its 20 per cent interest in the Navachab gold mine, for net proceeds of $5.3 million. A gain of $4.8 million was recorded before taxes of $1.3 million.

13. Financial Instruments

Fair Value of Financial Assets and Financial Liabilities

The carrying value of cash and short-term investments, accounts receivable, accounts payable, accrued liabilities and short-term debt approximates fair value due to the short term maturities of these instruments.

The Corporation holds cash and marketable short-term investments, which are subject to various risks such as interest rate, credit and liquidity. These risks are mitigated by restricting both the type and term of securities eligible for investment and dealing with highly rated counterparties to reduce settlement risk.

The following table presents the financial instruments with a carrying value different from their fair value at December 31:

2000

:: *(thousands of dollars)*	**Carrying Value**	**Fair Value**
Publicly traded investments	**$108**	**$458**
Long-term debt	**$21,700**	**$17,423**

1999

:: *(thousands of dollars)*	Carrying Value	Fair Value
Publicly traded investments	$476	$857
Long-term debt	$26,768	$23,271

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. The fair value of publicly traded investments is based on quoted market prices. The fair value of the debt portion of convertible instruments is estimated based on discounted cash flows of future interest payments using rates currently available for debentures with similar terms and maturities. The fair value of other long-term debt approximates carrying value as the remaining debt is subject to floating interest rates.

Derivative Financial Instruments

The Corporation manages its exposure to changes in market prices and exchange rates through hedging transactions. Hedging transactions include forward sales

contracts and put and call options. The Corporation does not acquire, hold or issue derivative financial instruments for trading purposes.

At December 31, 2000 in relation to its interest in Troilus the Corporation has the following hedging commitments:

	Hedge Volume	Average Price
GOLD		
2001 forward sales	60,000 ounces	U.S.$344 per ounce
2001 call options purchased	32,000 ounces	U.S.$350 per ounce
2002 forward sales	60,000 ounces	U.S.$324 per ounce
2003 to 2005 forward sales	125,000 ounces	U.S.$323 per ounce
U.S.$		
2001 forward sales	$12 million	$1.4707

The fair value at December 31, 2000 of the Corporation's share of gold and foreign exchange contracts was a gain of $10 million.

QUARTERLY REVIEW

2000

(unaudited)

:: *(thousands of dollars, except per share amounts)*	First quarter	Second quarter	Third quarter	Fourth quarter	**Year**
Sales	$28,078	$24,910	$28,434	$25,126	**$106,548**
Cost of sales	(20,226)	(19,463)	(19,075)	(21,322)	**(80,086)**
Share of losses in associated companies	(263)	–	–	–	**(263)**
Corporate development and exploration	(2,335)	(1,871)	(2,606)	(2,823)	**(9,635)**
General and administration	(1,195)	(1,512)	(1,566)	(2,646)	**(6,919)**
Investment and other income	1,577	2,512	759	5,433	**10,281**
Interest expense	(1,104)	(936)	(968)	(787)	**(3,795)**
Capital tax expense	(214)	(214)	(214)	(214)	**(856)**
Income tax expense	(1,460)	(1,425)	(1,752)	(873)	**(5,510)**
Net income	$2,858	$2,001	$3,012	$1,894	**$9,765**
Net income per common share[1]	$0.05	$0.03	$0.06	$0.03	**$0.17**

1999

(unaudited)

:: *(thousands of dollars, except per share amounts)*	First quarter	Second quarter	Third quarter	Fourth quarter	**Year**
Sales	$26,138	$27,141	$32,162	$31,161	**$116,602**
Cost of sales	(21,338)	(22,750)	(21,890)	(22,823)	**(88,801)**
Share of earnings (losses) in associated companies	781	898	2,039	(534)	**3,184**
Corporate development and exploration	(1,623)	(1,509)	(1,440)	(1,895)	**(6,467)**
General and administration	(1,254)	(1,168)	(1,571)	(2,222)	**(6,215)**
Investment and other income	1,982	(433)	5,311	1,306	**8,166**
Interest expense	(1,369)	(936)	(881)	(829)	**(4,015)**
Capital tax expense	(203)	(203)	(203)	(203)	**(812)**
Income tax expense	(244)	(81)	(1,736)	(129)	**(2,190)**
Reduction in provision for reclamation costs	–	–	20,000	–	**20,000**
Net income	$2,870	$959	$31,791	$3,832	**$39,452**
Net income per common share[1]	$0.00	$0.01	$0.81	$0.08	**$0.90**

[1] Net income per common share has been calculated using a weighted average of shares outstanding for each period.

FIVE YEAR REVIEW

	Year Ended December 31				
	2000	1999	1998	1997	1996
STATEMENTS OF OPERATIONS (000's)					
Sales	**$106,548**	$116,602	$105,591	$141,262	$77,247
Cost of sales	**(80,086)**	(88,801)	(87,448)	(120,180)	(99,639)
Share of earnings (losses) in associated companies	**(263)**	3,184	988	1,242	21,962
Corporate development and exploration	**(9,635)**	(6,467)	(13,435)	(16,713)	(30,323)
General and administration	**(6,919)**	(6,215)	(9,870)	(7,774)	(16,534)
Investment and other income	**10,281**	8,166	29,877	12,596	98,834
Interest expense	**(3,795)**	(4,015)	(7,578)	(8,902)	(10,890)
Capital tax expense	**(856)**	(812)	(1,171)	(1,283)	(951)
Income tax (expense) recovery	**(5,510)**	(2,190)	4,185	(5,536)	(3,093)
Reduction in provision for reclamation costs	**–**	20,000	–	–	–
Write down of mining properties and other provisions	**–**	–	(37,500)	(193,670)	(418,200)
Earnings (loss) from continuing operations	**9,765**	39,452	(16,361)	(198,958)	(381,587)
Earnings from discontinued operations	**–**	–	16,349	13,456	17,573
Gains on sale of discontinued operations	**–**	–	31,050	–	–
Net income (loss)	**$9,765**	$39,452	$31,038	$(185,502)	$(364,014)
CASH FLOW (000's)					
Cash and short-term investments, beginning of year	**$93,458**	$173,135	$293,591	$229,332	$111,037
Cash provided by (used in):					
Operating activities	**14,509**	3,061	5,485	(5,522)	(4,384)
Investing activities	**(18,428)**	76,002	249,824	(70,940)	149,512
Financing activities	**(12,280)**	(158,740)	(389,007)	129,665	(33,939)
Discontinued operations	**–**	–	13,242	11,056	7,106
Cash and short-term investments, end of year	**$77,259**	$93,458	$173,135	$293,591	$229,332
COMMON SHARE STATISTICS					
Earnings (loss) per share:					
Continuing operations	**$0.17**	$0.90	$(0.33)	$(2.14)	$(4.81)
Discontinued operations	**–**	–	0.58	0.14	0.22
Net income (loss) per share	**$0.17**	$0.90	$0.25	$(2.00)	$(4.59)
Net book value per share at December 31	**$5.46**	$5.05	$6.68	$5.80	$7.31
Operating cash flow from continuing operations per share	**$0.38**	$0.08	$0.07	$(0.06)	$(0.05)
Number of shares outstanding (000's)[1]	**36,402**	38,337	38,337	103,432	81,207
BALANCE SHEETS (000's)[1]					
Current assets	**$130,077**	$152,975	$238,819	$372,990	$263,766
Investments	**80,812**	81,381	137,662	176,884	189,535
Capital assets	**85,787**	72,982	96,106	137,659	293,949
Other assets	**20,562**	18,535	12,089	10,628	19,178
Assets of discontinued operations	**–**	–	–	323,471	343,397
	$317,238	$325,873	$484,676	$1,021,632	$1,109,825
Current liabilities	**$35,546**	$41,023	$101,387	$137,330	$102,542
Long-term debt	**21,700**	26,768	36,465	27,158	124,300
Reclamation and other liabilities	**61,063**	64,569	90,572	109,700	122,015
Liabilities of discontinued operations	–	–	–	147,536	167,131
Shareholders' equity	**198,929**	193,513	256,252	599,908	593,837
	$317,238	$325,873	$484,676	$1,021,632	$1,109,825
CURRENCY EXCHANGE RATES/CANADIAN DOLLAR[1]					
United States dollar	**$1.50**	$1.44	$1.53	$1.43	$1.37
Papua New Guinea kina	**$0.50**	$0.55	$0.74	$0.81	$1.01

[1] As at December 31.

PRODUCTION AND UNIT COSTS

	2000	1999	1998
PRODUCTION (Inmet's share)			
Copper (tonnes)			
Ok Tedi	**36,600**	33,800	27,300
Çayeli	**18,300**	19,600	13,300
Troilus	**4,800**	5,400	4,900
Other	**–**	–	500
	59,700	58,800	46,000
Gold (ounces)			
Troilus	**122,500**	168,400	147,000
Ok Tedi	**96,100**	72,300	74,400
Other	**–**	6,100	13,100
	218,600	246,800	234,500
Zinc (tonnes)			
Çayeli	**12,700**	16,000	15,800
Other	**–**	–	9,900
	12,700	16,000	25,700
UNIT COSTS			
Çayeli (U.S.$ per pound of copper)			
Direct cash costs	**$0.32**	$0.32	$0.37
Copper processing charges and freight	**0.27**	0.28	0.35
Net metal credits	**(0.16)**	(0.20)	(0.26)
Cash cost	**0.43**	0.40	0.46
Amortization and other non cash costs	**0.05**	0.04	0.04
Total cost	**$0.48**	$0.44	$0.50
Troilus (U.S.$ per ounce of gold)			
Direct cash costs	**$360**	$250	$256
Capitalized stripping	**(66)**	–	–
Processing charges and freight	**47**	39	50
Metal credits	**(78)**	(58)	(61)
Cash cost	**263**	231	245
Amortization and other non cash costs	**16**	10	6
Total cost	**$279**	$241	$251
Ok Tedi (U.S.$ per pound of copper)			
Direct cash costs	**$0.59**	$0.59	$0.59
Processing charges and freight	**0.24**	0.24	0.29
Metal credits	**(0.35)**	(0.28)	(0.37)
Cash cost	**0.48**	0.55	0.51
Amortization and other non cash costs	**0.19**	0.21	0.21
Total cost	**$0.67**	$0.76	$0.72

DIRECTORS AND OFFICERS

DIRECTORS

William James
Toronto, Ontario
Member of Corporate Governance Committee, Compensation Committee and Safety, Health and Environment Committee
Chairman of the Board, Inmet Mining Corporation
Director since 1996

Richard A. Ross
Nobleton, Ontario
President and Chief Executive Officer, Inmet Mining Corporation
Director since 1999

Allen Born
Denver, Colorado
Member of Safety, Health and Environment Committee
Chairman of Born Investments, LLC
Director since 1997

Paul E. Gagné
Senneville, Quebec
Member of Audit Committee, Corporate Governance Committee and Safety, Health and Environment Committee
Consultant, Corporate Strategy & Acquisitions, Kruger Inc.
Director since 1996

Thomas E. Kierans
Toronto, Ontario
Member of Corporate Governance Committee and Compensation Committee
Chair of the Canadian Institute for Advanced Research (CIAR)
Director since 1996

Alfred Powis
Toronto, Ontario
Member of Audit Committee
Corporate Director
Former Chairman, Noranda Inc.
Director since 1997

James M. Tory
Toronto, Ontario
Member of Audit Committee
and Compensation Committee
Counsel, Torys (Barristers and Solicitors)
Director since 1987

OFFICERS

Richard A. Ross
President and Chief Executive Officer

Frank Balint
Vice-President, Corporate Development

Oliver R. E. Merton
Vice-President, Commercial

Jo-Anne Sayers
Vice-President, Finance and Chief Financial Officer

Jochen E. Tilk
Vice-President, Operations

Wendy Kaufman
Controller

CORPORATE INFORMATION

Corporate Office
Inmet Mining Corporation
Maritime Life Tower, Suite 3400
79 Wellington Street West
P.O. Box 19, TD Centre
Toronto, Ontario, Canada
M5K 1A1
Telephone: (1) 416-361-6400

Exploration Offices
North America
Direct inquiries to corporate office

South America
P.O. Box 18-0465
Lima 18, Peru
Telephone: (511) 372-0433
Fax: (511) 372-0443

Investor Relations
Financial information such as annual reports, interim reports and other information is available on Inmet's web site: **www.inmetmining.com.**

Copies of the annual reports, interim reports and other corporate publications are also available from the Investor Relations department:
- By mail directed to the corporate office
- By email at investor@inmet-toronto.com
- By fax at (1) 416-368-4692
- By telephone at (1) 416-860-3968

Version française
Pour obtenir la version française de ce rapport, veuillez communiqer avec le bureau administratif de la compagnie, département des services aux actionnaires.

Auditors
KPMG LLP
Chartered Accountants
Toronto, Ontario, Canada

Annual Meeting
Inmet's Annual and Special Meeting will be held on Tuesday, May 1, 2001 at 10:30 a.m in the TSE Conference Centre located in the Exchange Tower, 130 King Street West, Toronto, Ontario, Canada.

Shareholder Inquiries
Inquiries with respect to changes of address or registration and lost share certificates should be directed to the Stock Transfer Department of CIBC Mellon Trust Company Ltd. in Toronto, Montreal, Winnipeg, Calgary, Vancouver or London, England. Alternatively, our Transfer Agent may be reached at:

CIBC Mellon Trust Company Ltd.
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario, Canada
M5C 2W9

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(1) 416-643-5500
or toll free in North America at 1-800-387-0825
Fax:(1) 416-643-5501
Email: inquiries@cibcmellon.ca
Web site: www.cibcmellon.ca

Stock Symbol
IMN

Stock Exchange Listing
The Toronto Stock Exchange

Common Shares

:: *(thousands)*	**2000**	1999
As at December 31	**36,402**	38,337
Average for the year ended December 31	**37,825**	38,337

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www.inmetmining.com

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